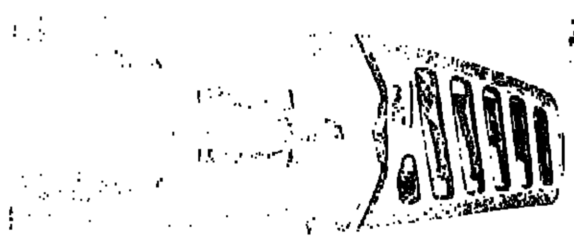
Industrial design



Snips snap markets and design awards

by Ann Taylor

SNIPPING, clipping and peeling would hardly seem an integral part of any growth strategy. But the success of Delta Plastics' eartag exports has a parallel in Tullen Industries' plastic snips which are enjoying a place in the the kitchen as lauded as the famous New Zealand potato-peeler.

Tullens was started in 1971, and in 1972 owner John Hough developed the snips. The product which now markets in four variations — kitchen cutter, work cutter, "safe-t snips" and a multi-purpose snip — has a market presence in 33 countries.

The product was not available in this country until 1975 and 85 to 89 per cent of the present annual production run of 1.6 million units is exported.

The main markets for the range are in Australia, Britain and "sections" of the United States.

Three of the snips from the marketing-oriented company have designmarks and all three have been put forward as contenders in the Prince Philip Award.

Marketing manager Barry Robb said the designmark is used in export packaging and for the local market, but internationally he says it has not done a lot for the product, partly because many are exported in bulk.

"Strangely, though, the Japanese are quality-conscious and impressed by awards and respond positively to the designmark.

"In most other markets it has not really contributed and here it depends on the strength of the consumer reaction. If consumers have a negative reaction then it doesn't have appeal to manufacturers and if consumers were positive then the IDC would have manufacturers striving a lot harder to achieve recognition," he said, reiterating IDC director Geoff Nee's concern that the consumer appeal designmark has not really been ascertained.

The three main products are all the result of consumer research and market segmentation.

The original snip was a multi-purpose one and "as we advanced we took interest in specific segments of the cutting market.

"In 1977 we did so[me] research in the kitchen a[nd] female market and determine[d] the cutting problems experienc[ed] with conventional sciss[ors] that our products were [un]satisfying. We went back to the drawing board and designe[d] the kitchen cutter."

The market research for the snips has all been done in this country but as Robb says the[re] are common denominators: most Western countries [--] packaging and advertising changes from country to country.

Next on the marketing agenda is to employ consultants overseas to audit out performance and "see where we['re] going, right or wrong."

The same approach [is] taken with the work cutter aimed principally at the do-it-yourself market.

Hough, who started [...] owns the private company, [is] an accountant. While work[ing] for whiteware manufacturer Fisher and Paykel he took [an] interest in mass-production engineering. He designed [and] developed the product [and] sensed that marketing [was] needed.

Characteristic of the [...] took himself off to marke[ting] courses and employed [...] the speakers. Steve Bridge[s], now marketing professor [at] Massey University and a member of the IDC.

Bridges left Tullens in 19[..] but marketing is still "[ag]gressively employed".

Robb said the company [...] to export. "The local mark[et] in which we already have [...] of the products sold for [...] 21 people, is stagnant."

Tullens' Penrose, Auckland, factory employs 82 people. The large majority are in the production area; the executive count is low. Even in this country, Robb said, "we have a[n] agent who deals with the retail interface."

The company has "high priority status", bestowed by the Minister of Trade and Industry, which means up local content has to constitute 75 per cent.

Tullens has had the benefit of DFC funding for its [...] product development programme and uses the trade commissioner services to increase market penetration.

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark and NZ Data Processing

$1.00

Inside

Way seen to beat Gatt subsidy ban

by Klaus Sorensen

NEW Zealand could be on the verge of winning a milestone battle with the United States over export incentives and primary produce subsidies.

Fears have been building — particularly in the forestry industry — that the inevitability of New Zealand signing the Code of Subsidies agreement which is part of the General Agreement on Tariffs and Trade, will mean the death knell for direct export incentives.

But *NBR* understands from top trade sources that New Zealand may still be able to wring important concessions out of the Americans which will allow export incentives to continue in their present form at least until their planned 1985 expiry. Recent trade negotiations have taken place with the intention of reaching an agreement with the United States over subsidies — so that New Zealand can become a Code of Subsidies signatory.

But surprisingly it seems New Zealand has refused to dismantle its export incentive schemes — arguing they are a legislative fact — and the Americans have apparently shown some sympathy for this approach. And local trade negotiations are said to be confident of success.

New Zealand's export incentives have been put under scrutiny in the United States.

Last year the Palmerston North animal eartags manufacturer Delta Plastics found itself up against the US Commerce Department following a complaint from an American manufacturer that its trade had been unfairly injured by the imported Delta eartags — which it claimed should be subject to countervailing duties to balance the alleged production subsidies from the New Zealand government.

At the moment the United States Commerce Department is investigating alleged subsidies on imported New Zealand lamb following a petition claim for countervailing duties to be imposed on the New Zealand product.

New Zealand needs to sign the Subsidies and Countervailing Duties Code because of US domestic regulations concerning petitions under Gatt rules.

Though a Gatt member New Zealand has found that petitioners against New Zealand produce and subsidies only have to prove the subsidies exist.

But when, and if, New Zealand becomes a signatory to the Gatt Code of Subsidies — which is one of a number of multilateral codes established at the almost infamous 1979 "Tokyo Round" — American competitors will have to subject their complaints to the "injury

Continued Page 12

FCL in fishing row

by Allan Parker

FLETCHER Fishing Ltd — Fletcher Challenge's venture into the fishing industry — sailed into more troubled waters last week. Not only was it under fire from domestic and Australian fishermen, but it came under Government investigation into allegations that it had breached fish-export packing regulations.

The complaint was made to Fisheries Minister Duncan MacIntyre by a Fletcher fish-processing and packing customer, Port Chalmers-based Globe Export Fisheries Ltd.

According to a company spokesman last week, Globe Export laid "conclusive evidence" of a breach of the Fish (Packing for Export) Regulations by the Fletcher Challenge fishing interests. In particular, the complaint centred on labelling requirements under the regulations.

The spokesman said his company was concerned that any questioning of fish export quality could harm the entire local industry, "specially after the problems in Australia."

A senior Ministry of Agriculture and Fisheries official confirmed that the investigation was being conducted by the department's meat division because "it's a quality of product, a quality assurance, matter."

The Fish (Packing for Export) Regulations govern hygiene requirements in processing and packing houses, including labelling requirements.

Under Section 66 of the regulations, containers must be marked directly or with a label specifying, among other requirements, the scientific name of the species, the name of the packing house, the words "Product of New Zealand" and the date of packaging, although this can be in code.

If the fish is packed on behalf of an exporter by another company, the label must include the words "packed by" and identify the packer.

NBR was told by a MAF official that the investigation covered "perhaps" 150 cartons of fish, but "probably less".

Late last week, preliminary results from the investigation were sent to MAF head office in Wellington.

The official said: "If a breach has occurred it is a small one of a technical nature involving labelling."

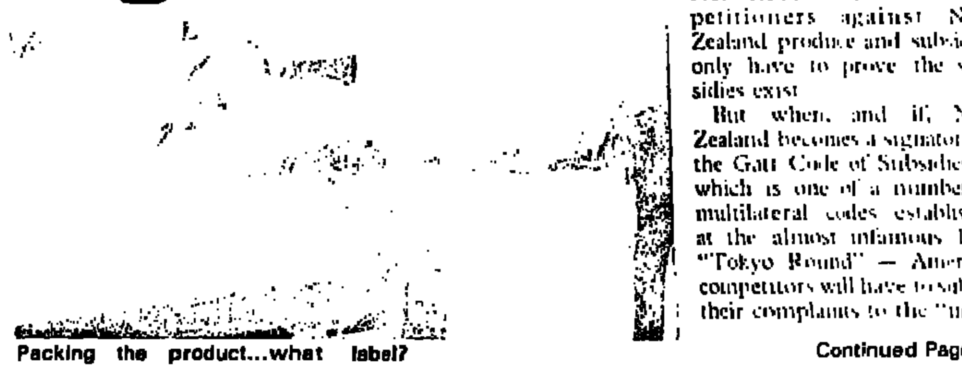
Fletcher Fishing managing director Eric Henry emphasised that the investigation was of a minor nature, in Fletcher's opinion.

"It's making mountains out of molehills," he said, describing the issue as a "local" one.

Henry said he thought the Minister "had no option" other than to order the inquiry.

The company, he said, would

Continued Page 16



Packing the product...what label?

Taxman moves in

by Alan Parker

THE taxman is clamping down on "Queen Street farmers" — high-income salary earners trying to escape hefty tax bills by investing in horticultural farming.

An instruction has gone to Inland Revenue regional offices that applications for special tax codes by city-dwelling horticulturalists be policed more thoroughly.

If necessary, they have been told, they should call in farm experts from the Ministry of Agriculture and Fisheries to vet the development proposals.

The crack-down follows several cases in which the department has claimed back tax revenue totalling hundreds of thousands of dollars.

Now, according to a departmental spokesman, "we are going to have to be more thoroughly convinced that the development proposals put to us for special tax code arrangements are genuine farming activities and that they will be economic units after the farm development is over."

Coincidentally, news of the tightening-up came in the same week Opposition leader Bill Rowling promised a Labour Government would be far more severe on these so-called "Queen Street farmers".

The Inland Revenue move is against individuals within the

Continued Page 3

Tasman 'substitute' log exports spark off new row

by Ann Taylor

THE ANOMALY of Tasman Pulp and Paper's log trading arrangements — virtually exporting state wood "by proxy" — surfaced again last week, along with the prospect of shortages of state timber reaching critical proportions.

State and private interests at the Forestry Council conference in Wellington failed to resolve their different approaches to log exports — amid the realisation that state forest output has reached a peak for the rest of this decade.

In this climate, the export log "substitution" practised by FCL subsidiary Tasman came in for renewed questioning, after upward renegotiation of the price paid to the Government for log supplies had defused criticism earlier this year.

During the 1960s and 1970s processing plant was built up while the amount of wood available rose. The 1980s supply plateau will not start to lift until the 1990s. There is therefore, going to be increased competition for the state resource — and the supply situation which some call "critical".

Tasman was the only large forestry company represented on the working party which has spent the last six months examining the sale of state wood. A spokesman for the Forestry Council said nominations had been called from the first session of the conference in March.

"We weren't interested in where they came from. We were interested in those that could do the job and the sale of state wood is a fairly technical area which needed people who understood it," he said.

The working party agreed that log exports from both the state and the private sector should continue.

Where the volume of logs arising from the private sector was too small for the purposes of adequate shipping arrangements then the logs should be exported either through the Forest Service or other major exporters, as appropriate," it said.

The working party concluded, though, that buyers of state wood should not be allowed to export state forest logs.

The Forest Service in its draft management policy for state exotic forests maintained the status quo: that "log exports should continue from both the state and the private sector. Buyers of state forest wood will not be allowed to export logs from the same region unless specific approval has been given by the Forest Service."

Under most sale documents the state has the right to cancel or proportionately reduce the state quota to a company that is exporting logs from its own region and a clause to that effect is included in every sale document except Tasman's.

Before the Fletcher Challenge merger Fletchers sold its Taupo saw mill to Tasman, which supplied the mill with state logs while Fletchers went on exporting logs from its own forests.

While everyone is aware of the anomaly, under the contracts ,nothing can be done except by mutual agreement of the two parties.

During the March session Tasman renegotiated its stumpage costs (the price of the wood in the ground), announced by Prime Minister Rob Muldoon, but the Taupo anomaly remained intact.

The sawmilling industry expressed its belief at last week's conference that the current level of log export trade is too high and should not be maintained if the raw material requirements of their growing industry cannot be kept up.

Tasman managing director Carl Ryan said "when there is a shortage of sawlogs, exports should be minimised. In any event, we have to reduce substantially the level of export logs because of the need to retain them for domestic production."

He acknowledges the anomaly in Tasman's contracts with the Forest Service but said "we have already decided that we will reduce log exports to just nominal levels so it will no longer be a problem."

Ryan told *NBR* "there has been a lot of work put into developing the forest market. We believe that it should not be thrown away; even if we reduce the volume we have to keep the flow to the Japanese market.

"If we just cut off log exports there is a school of thought that we would force the Japanese into being better buyers of sawn wood. But we can't dictate to the customer, and Japan could get supplies from Russia, or Chile.

"I don't think those who are critical of us realise that we must keep a nominal volume flowing," he said.

While Ryan says it is "those who have not got anything to export" who criticise the contract, Richard Carter of Carter Holt counters that the difference comes as a matter of company policy.

"We are determined to keep those logs for added value domestic processing. If Tasman were to come out in the open and say we had no logs to export I would refer them to the March 1980 document which sets out the volumes of logs we have available for export and which was used as the basic rationale for the attempted takeover."

Carter questioned the working party's thinking on the sale of state wood and M D Malloy, of the Farm Forestry Association, who chaired the session, said he interpreted it to protect the "small guy who might get pushed out by the large foresters."

Forest Service director-general Mick O'Neill says the original Tasman contract was signed before there were any log exports, and because mutual agreement has to made before any changes are made it cannot be altered.

"The only way the Government can opt out of such a contract is to buy out," he said. "It's a situation we're not very happy about, but there is nothing we can do about it."

New Zealand Forest Products managing director Doug Walker prefers not to point the finger at Tasman. He told *NBR* "it may be necessary to allow them to fulfil existing contracts," a situation Forest Products found itself in when it bought PTY from Winstone.

Forest Products terminated some of its export log sales when it started to draw wood from the state forests.

Week that was

ENERGY Minister Bill Birch told Parliament he would sever connections with a Coromandel land company in which he was a shareholder and director. TV's *Eyewitness* revealed the company's land was part of a block for which mining giant Amoco has been granted a prospecting licence by Birch's department. Birch agreed his roles were incompatible, but said he had not been involved for several years in the company's affairs and was unaware of the prospecting licence.

PENFOLDS Wines NZ Ltd postponed its \$2.4 million share float and earlier filed a claim for more than\$20 million damages against Penfolds of Australia over statements made in the wake of Health Department seizures of its bulk wine.

DRIVERS gained a 9.3 per cent wage increase but advocate Rob Campbell said the increase should not be a trend-setter. Next, the metal trades and electrical contractors' negotiations.

SKYBUS still had plenty of formalities to complete before it could hope to carry passengers, said Prime Minister Rob Muldoon.

Week to be

MONDAY: New Zealand Road Transport Association conference, Auckland

HANZ Annual conference, Queenstown, to Friday

United States Agricultural Equipment Show, Hamilton

TUESDAY: Association of Bakers conference, Christchurch, to Friday

Townswomen's biennial conference, Wellington, to Thursday

WEDNESDAY: Wool Merchants Federation conference, Hastings, to Friday

THURSDAY: Orthodontic Society conference, Christchurch, to Friday

Record Retailers Association conference, Rotorua, to Sunday

NZ Convention Association conference, Invercargill, to Sunday

FRIDAY: Airwork (NZ) Ltd AGM, Christchurch

Producer boards join French in merchant banking

by Klaus Sorensen

THE Wool Board and the Dairy Board are almost certain starters for shareholdings in a new merchant bank to be set up in New Zealand. The two producer boards will be joined by two large New Zealand companies to form the local shareholding in the Indo Suez merchant bank.

The parent company, Banque de l'Indochine et de Suez, will hold 70 per cent of the shares in the yet-to-be-incorporated Indo Suez NZ Ltd, with the four local shareholders probably each holding 7.5 per cent of the remaining capital.

The big attraction for the producer boards and the two corporate shareholders — as yet unnamed but understood to be major exporters — is the Indo Suez group's extensive representation in North African and Middle East countries. This should prove an important entre for the New Zealand exporters.

The benefit of the local shareholdings for Indo Suez should be a relatively easy passage through the Overseas Investment Commission approvals procedure.

The bank is likely to open its doors on Wellington's The Terrace some time in November and is currently advertising for staff and conducting interviews.

Indo Suez NZ Ltd will specialise in trade financing and foreign exchange dealing, but will also have a small involvement in the local commercial bills market.

The merchant bank will be managed by a Frenchman, who was formerly posted in Indo Suez' Bahrain operation, and will employ 10 local staff.

When the French group decided to set up in Wellington offers of shareholdings were made to the three main producer boards.

Dairy Board spokesman Neville Martin confirmed last week that the board had decided to take a shareholding in the new merchant bank.

It was only a "modest shareholding", according to Martin, though he was not prepared to say what size.

"Our objective is not to get into merchant banking as such but we want to use the bank as as entre to the Francophone countries such as the French West African areas and the Cameroons — marketing dairy products in these areas has always been an uphill push for us, but the opportunity Indo Suez presented to us has been deemed worth the board's taking advantage of."

Martin said he believed the Wool Board would be another shareholder. Wool Board managing director Hugh Peirse told *NBR* last week he could not answer any questions about the board's taking a shareholding in the merchant bank, "because we've got a board meeting coming up."

However the matter had been raised, said Peirse, and he agreed it was "still under consideration."

But Meat Board secretary Mich Calder said his board would not be involved in the new company.

The board had received an "initial visit three or four months ago."

"We considered that the proposals didn't meet the criteria that we were required to consider for such an investment." But unlike the Dairy Board, the Meat Board couldn't see much benefit in any association, according to Calder.

There have been fears in Wellington banking circles that the Wool and Dairy Board's association with Indo Suez could rob the two boards' existing bankers of business.

But Martin told *NBR* that, as far as moving its business over to Indo Suez was concerned, "there is no commitment at all in that respect.

"The New Zealand bankers won't lose anything; it's a shareholding without commitment and our dealings with Indo Suez will most likely only relate to the Francophone areas."

"The Dairy Board will keep most of its international trade financing with its present bankers — and its principal banker, the Bank of New Zealand."

The Indo Suez banking group is controlled by the giant Compagnie Financiere de Suez — one of France's largest trading concerns — and the move into New Zealand, though puzzling to some, is in fact a logical extension of the group's South-east Asian branch network.

Indo Suez has over 40 branches worldwide. It has been established in Hong Kong for 100 years, Singapore for 75 years, as well as having branches in Dacca (Bangladesh) Kuala Lumpur, Jakarta, Vanuatu, New Caledonia and Sydney.

The Suez banking group ranks 20th in terms of size outside the United States, and 70th worldwide.

Taxman on to 'Queen St farmers'

From Page 1

PAYE system — airline pilots, salaried accountants, senior company executives and so on.

With high marginal taxation, many of these individuals seek tax-avoidance investments to reduce their taxation liability.

Genuine farm development costs are tax-deductible and the department is concerned to ensure these are not used just as an opportunity to turn what would normally be taxable income into tax-free capital by claiming developmental expenditure, then selling the farm once developed.

There is a safeguard within the tax system. Such farms cannot be sold within five years if the investors wish to retain their special tax code status, which allows them to claim development costs against their regular salary.

However, the department has been alerted by a number of sales within that five-year period and others just after the five years have elapsed.

In the instances of sales before the five-year period of grace the department admits it "had a big problem" collecting back-tax.

"With the benefit of hindsight, perhaps if we had had closer guidelines we would have realised there was a strong possibility that some properties might not have been kept after development," said the spokesman.

He said that such closer scrutiny in future might reveal situations where proposed budgets of production estimates might not be achievable on the proposed property because of unfavourable soil or climatic conditions.

Other properties put forward for horticultural development might be close to town boundaries and more suited for urban subdivision rather than kiwifruit or berry growing.

The new guidelines, the department hopes, will ensure such 'suspicious' proposals are isolated before special tax code status is granted.

Agriculture and Fisheries advisors will be asked to check proposals and give a critical, experienced assessment.

District tax commissioners have already been briefed about the new guidelines and are now passing the instructions to inspectors in regional offices. The department expects to publish details of the new system in a public information booklet shortly.

The week

Radio interests hold back for full report on FM

by Warren Mayne

BOTH state and private radio interests are eagerly awaiting tomorrow's release of the "FM Broadcaster's Bible" before assessing Broadcasting Minister Warren Cooper's announcement that applicants for two FM radio stations in Auckland will be heard before Christmas.

Cooper won praise for promptly acting on the Broadcasting Tribunal's report on introducing FM (frequency modulation) stereo radio. His go-ahead for the first commercial applications came only six days after the report was delivered to the Government, just one day later than ordered.

But his announcement relates *directly to only one of the 60* recommendations in what insiders say is a most comprehensive report covering all aspects of FM development. And his statements caused more problems than they resolved.

Radio New Zealand sources declined to be drawn on what proposals they would put to the Auckland warrant hearings, from which Cooper wants a tribunal decision promptly in the new year.

The matter was discussed briefly at the Broadcasting Corporation's monthly board meeting, the day after the Cabinet go-ahead.

But state broadcasting sources see Cooper's actioning of applications for commercial stations in Auckland a full week before the full report is available to the public as a political move.

The Minister himself emphasised the urgency of starting FM in Auckland, the centre where the most interest had been shown, especially among younger people.

This eve-of-election decisiveness recalled to many the speed with which the first private radio applications in Auckland were disposed of in 1969, enabling pirate Radio Hauraki to come ashore legally, along with Radio i, which until then had been contracting time on 1ZM.

The full tribunal report is expected to detail provisions for RNZ to provide eventually a *nationwide minority-interest* stereo music programme — effectively moving the existing YC concert programme off the AM band and widening its coverage beyond the major cities.

Cooper also suggested that RNZ should consider FM for future proposals to provide the smaller centres with community "mini-stations".

But he also suggested another, and potentially profitable course for RNZ — applying for one of the two commercial warrants in Auckland and moving its ZM pop station over from AM to FM. This, presumably, would follow in the ensuing Wellington and Christchurch hearings.

The moving-over of 1ZM from AM to FM fits in with another major point which Cooper emphasises — FM will be strictly "substitution rather than add-ons".

The Minister said he did not want to see new commercial stations competing with the existing number of outlets chasing fewer advertising dollars

Both RNZ and its major rival in the Auckland market, Hauraki, agree that five commercial stations among the seven present AM outlets are as much as the market can support.

For this reason RNZ will probably have to consider moving both the classic music YCs nationally and the youth-oriented ZM rock stations in the three major centres to FM, a high-fidelity, stereo-capable spectrum ideally suited for music formats.

But the biggest confusion is Cooper's extension of the "substitution" policy in such a way — at first glance anyway — as to prejudice one of the three major categories of potential FM applicants.

Cooper said applications for the two Auckland warrants would be open equally to RNZ, existing private operators and newly formed broadcasting companies. But he interpreted the tribunal's commonly expected ban on "simulcasting" (carrying the identical programme on both AM and FM simultaneously) as extending to a complete ban on any company owning both an AM and a new FM station.

Australian experience — as Cooper acknowledged — showed that FM took several years to catch on with listeners, most of whom would have to get new receivers. But he conceded there would have to be a transition period before an FM operator would be required to give up its AM station.

The question is — how long, and consequently how much of a loss period would contenders such as Hauraki, Radio i, Well*ington's Windy and Christ*church's Avon be expected to carry.

Tribunal chairman Bruce Slane declined to be drawn on the contents of his report, but some broadcasting sources suggest that AM stations awarded FM warrants would be given an initial four-year warrant, during which period they would have to run two separate stations on each band.

After four years, according to this scenario, the AM warrant would expire and might be put up for new applicants.

Hauraki station manager Derek Lowe, commenting on this possibility, told *NBR* he would be prepared to recommend to his board that the station apply for FM on such a basis.

"We don't really know where we stand until we see the full report, but we're interested. Sure, running two stations at once for four years would be more costly, but then we sustained a loss period from 1970 to 1976 before becoming profitable and we have the reserves to put into such a venture."

Lowe, however, believes new companies chasing the Auckland warrants have been given an advantage with the Government directive for the tribunal to start hearings in less than three months.

"A newcomer can concentrate on getting its case together; existing operators have to keep on running their stations, all the more so as we're just going into a vital McNair audience survey period," he said.

Learning from Winstone

by William Hobbs

THE Australian giant, CSR, seems determined to avoid the problems faced by Winstone-Samsung when it enters the New Zealand timber-processing industry towards the end of 1983.

After a two-year feasibility study, CSR and its New Zealand partners, H Baigent and Sons of Nelson, have confirmed they will proceed with the pulp mill near Nelson and start construction early next year, subject to final approvals from the courts and Government agencies.

But there has been a significant change to the $150 million proposal since it was first announced.

The original scheme was for an integrated saw mill and a 300-tonnes-a-day thermo-mechanical pulp mill which would produce a newsprint quality pulp similar to that being turned out by Winstone-Samsung at Karioi.

CSR's overseas development manager, John Barrington, says the bulk of production will now be in stone-ground, roundwood pulp, which involves a similar process to the production of thermo-mechanical pulp, but it can be used for higher-grade printing papers.

One of the major requirements of the feasibility study into the Nelson pulp mill from CSR's point of view has been to assure itself that long-term markets are available.

He will not say that the changed plans in the production process is a direct result of Winstone Samsung's marketing problems with Karioi pulp, but he concedes that CSR took careful note of what was happening at Karioi.

Editorial

SUCCESSIVE governments, the FOL and the Employers Federation have struggled to find an effective and mutually satisfactory wage-fixing procedure since the nil wage order by the Arbitration Court in 1968, which resulted in union antipathy towards procedures that had operated until then. The Muldoon Government has sought an effective wages policy, on and off, for almost six years. Its last attempt collapsed in June, when the FOL rejected the wage-tax trade-off bargain (although broad agreement is said to have been reached between employers and unions on the possible structure of a new system after some 15 months of talks).

And so at the opening of this year's wage round, pessimistic employers were concerned to curb wage rises while determining to reject all attempts to reduce the working week to 35 hours. They were bitterly conscious of the effects of the Arbitration Court's 5 per cent cost-of-living order, which took effect from June 11 and added some $750 million a year to the national wage bill.

Reacting to the court's decision on May 23, a "distressed" Muldoon said the Government would now be looking to a wage round with a 6 to 6½ per cent wage increase, which would be "extremely difficult to sell to the unions". Three days later, he had upped the ante and was looking for wage settlements of no more than 9 per cent, to be reduced in accord with the size of any tax cuts the Government might make in the Budget. With the 5 per cent wage award, that 9 per cent would amount to Muldoon's estimate (presumably conservative) of 14 per cent as the inflation rate for the year ending next June. The revised guideline was accompanied by a threat to reintroduce wage-fixing by regulation.

The court's decision had stated that it expected the 5 per cent increase to be taken off the year's wage round. The unions quickly made plain what they thought of that idea, and FOL president Jim Knox said individual unions would go ahead with "unrestricted" claims. No doubt he recognised that, without significant tax cuts, most of that increase would be creamed off by the Inland Revenue Department, thanks to the effects of fiscal drag. The Government, of course, blames the FOL for the collapse of the tax-wage trade-off bid. Placing the onus on the FOL to decide if taxes would be reduced in fact was a Government cop-out. Either tax cuts made economic sense (and if they gave workers a significant lift to real wages, it would have been that much more difficult for the unions to justify unreasonable wage claims). Or else tax cuts were inappropriate (a not improbable explanation for the Government's failure to act, considering its budgeted $2090 million deficit before borrowing this year).

And so began the wage round, which Chambers of Commerce executive director Ross Martin described as "the annual battle during which attempts were made to extract as much as possible out of some amorphous body called 'business'."

The FOL declared its belief that a minimum increase in wages of 14 per cent would be necessary to maintain real incomes. The Employers Federation countered by making public its assessment of a "justifiable" increase pegged between 5 and 7 per cent (lower even than Muldoon's suggested 9 per cent). The employers maintain that wages have risen in the last three years by about 60 per cent, compared with an overall increase in prices of 50 per cent. In the 12 months to June this year, they argue, wages increased by 19 per cent, whereas the consumers' price index rose by 16 per cent. Toss in the 5 per cent general wage order which took effect in June, and the employers figure they have a sound case, which they reinforce with the observation that not only is inflation fed by big wage movements, but jobs are threatened as wages outstrip prices and productivity.

In the upshot, the electrical workers are claiming a 22 per cent increase; the dairy factory workers 18 per cent; and the engineers union — negotiating for the metal trades award, on which some 14 other industrial agreements are based — has filed for a 25 per cent increase.

Farm workers — who belong to a voluntary association — have already settled on 6 per cent. Actors Equity settled on 7.5 per cent. But the first major settlement was reached last week for drivers, who had claimed 17.8 per cent and been offered 7½ per cent by road transport employers (an offer which an Employers Federation executive considered disappointingly high).

Agreement was reached at 9.3 per cent, and Employers Federation director [illegible] Rowe expressed his doubts that [illegible] unions might try to match the overall [illegible] fect (because of the accompanying [illegible] turing of that award). He proclaimed [illegible] we could now "look forward to the [illegible] round settling down and the rate of [illegible] tion diminishing." Union advocate [illegible] Campbell warned otherwise, which [illegible] mean we must look to the metal trades [illegible] tlement for a trend.

But the overall effect of the dri[illegible] award will be to lift wages above the [illegible] cent level which Muldoon considers [illegible] justified. That raises the prospect of [illegible] intervention, just as Muldoon stepped [illegible] reduce the size of the drivers' increase [illegible] 1979 in a bitter, four-month industrial [illegible] tle which culminated in an Arbitration Court decision above the Government's declared limit. But a hefty battery [illegible] business lobbies — the Chamber of Commerce, Manufacturers Federation, Retailers Federation, Federated [illegible] and Employers Federation — [illegible] have unanimously agreed that [illegible] wage restrictions are undesirable. [illegible] unions could well argue that — before intervening — Muldoon should set an example. They have noted that his [illegible] ministerial salary was raised to $[illegible] June this year — an increase of 26.[illegible] cent in 13 months.

As Knox demanded last month: "[illegible] can the Prime Minister account for [illegible] and ask everyone to keep wage [illegible] down?"

— Bob E.

Without word of a lie

Figuring it out

FOR the record, yet another invitation to political claims of media distortion of the unemployment figure.

Two Auckland psychologists surveyed 300 school-leavers in an attempt to assess the psychological impact of unemployment and incidentally threw up an interesting figure.

They record that "the total unemployment rate in our survey is 68.32 per cent higher than the registered unemployment rate". And they reiterate a plea, which is not being relished in an election year, that "access to the 1981 Census data is needed in order to know whether this relationship between registered and true unemployment holds for young people generally."

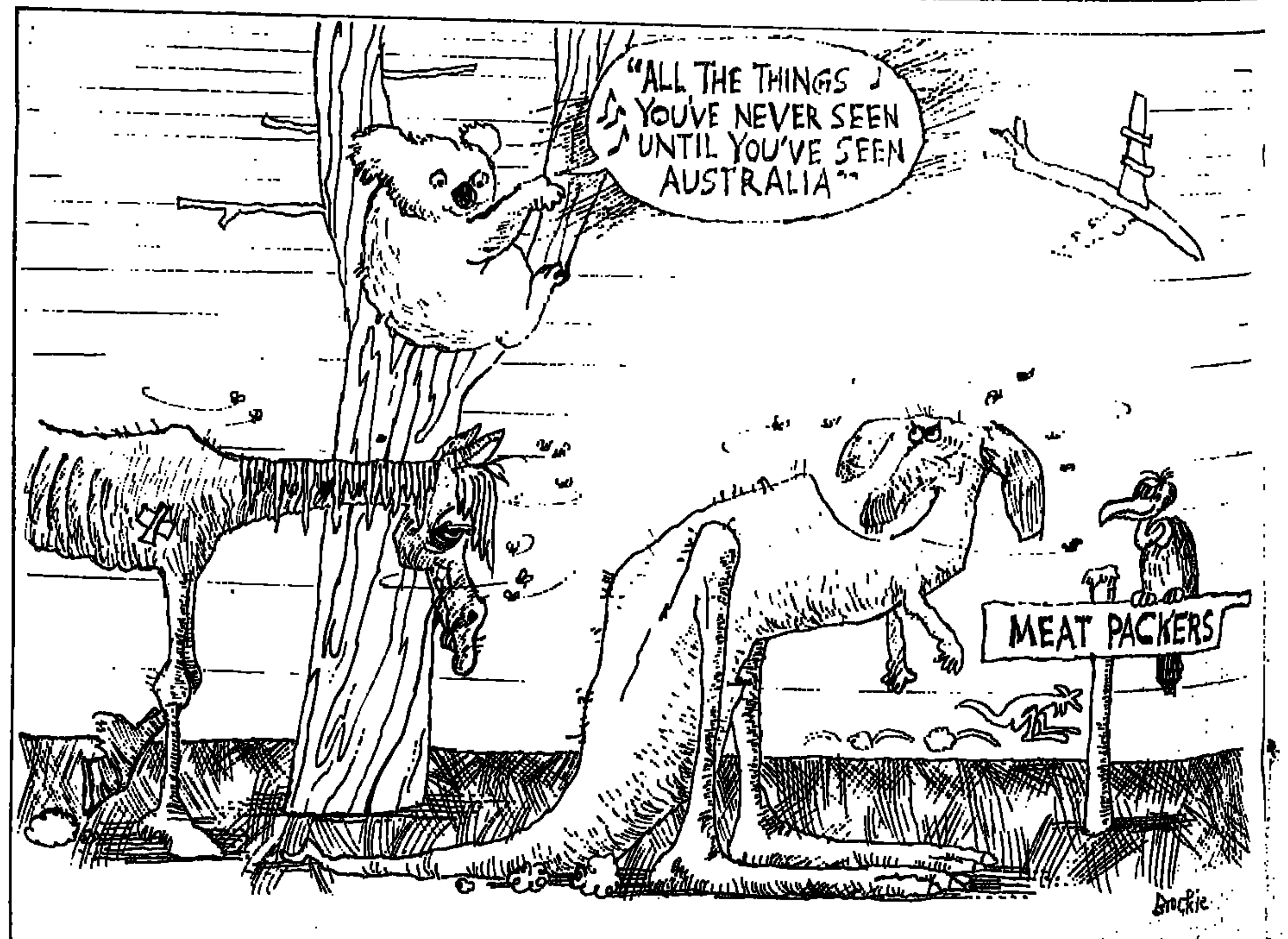
Where angels fear . . .

DOWN in Wellington's Courtenay Place where green-grocers, *NBR* journalists and bus drivers mingle there is an ageing grey hotel. With only a few more years to live before earthquake safety requirements bring it down the Selwyn Hotel has attracted disparate interests, to say the least.

A number of Wellington's feminist groups made plans to lease it but finance difficulties and disagreement between the groups about how far and if men would be allowed into the building caused the plans to fall apart.

A more recent and successful nibble came from promoters of a sauna parlour who are probably grateful there was never talk of a dual tenancy.

Brockie's view



Free agents

GLANCING through a copy of the *PSA Journal*, we found a number of colourful headlines (eg: "The stinking lid") which suggested more than a mite of antipathy towards our cobber Rob Muldoon and his properly elected government. Thus we were moved in last week's column to record a sampling, to suggest at least they proved that our civil servants were not so grey when they put their typewriters to it, and to inquire — somewhat impertinently, as things turned out — who was it they worked for.

We fell short of providing the answer, but the inference was clearly there — the public and the government. Wrong, of course, as we were sharply reminded by a PSA official. The journal is produced by the PSA — a voluntary union of public servants. And those acerbic scribes — need we say more — work for the union.

Just as well. If those headlines nettle old Rob as we suspect they might, a civil servant who wrote them might quickly be sorted out for the stinking lid treatment.

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An ad-man's point of view on taxes and budgeting

by Robert P Bolton

IN any institution, from a tennis club to a multinational corporation, there's always a wise guy on the committee or the board with the annoying habit of understanding things easily and stating them simply. He's usually the one who listens for a while then says something like, "Mr Chairman, do I understand correctly that, if we keep going the way we are, we'll be flat broke in three months?"

And he's usually right! Committees and boards have a way of talking around a problem, disguising it, reporting on it, and thinking they're actually doing something. And it usually takes Mr Wise Guy's simple question to wake everyone up.

Mr Wise Guy is not necessarily the one to fix things. But given his perspicacity he is just as able to state objectives and solutions and to see clearly when they have been accomplished.

Some things just *are*. They're so plain and simple that they stare us boldly in the face. It doesn't require a big intellectual effort to understand such things. They just *are*.

Presently the question of tax is one such item. There it sits, discussed, reported on, observed by committees and task forces. Everyone knows about it including, incidentally, the proverbial man in the street.

So where's the wise guy? Who in caucus or cabinet is direct enough to say "Rob (or however they address him these days), the plain fact is that the people are sick of paying so much tax. Now we've got to do something about it, we've just got to! "

The truth is, of course, that if he really was a wise guy he would probably go even closer to the problem to observe that we, as a country, are slowly going flat broke. Which we are.

And, as I have said, it doesn't require an economist to list the problems. They can all be stated so simply.

Free enterprise is being stifled by over-regulation and tax. Socialist ideals about fair distribution of wealth assume there is a wealth to distribute. The fact is there is none. Sorry chaps — no wealth to distribute today — better to make some!

But free enterprise (that is, private risk = private gain) these days seems to mean the freedom to make money so it can be taken away from you (that is, private risk = public gain). It is ironic that the welfare state works best in a healthy capitalist economy.

The public service is enormous. Frankly, it's difficult to find adjectives sufficient to describe the mammoth size of the state organisations. But the fact is, the problem is, that they do not produce, do not provide any foreign income, and they cost.

The first principle of business is: survive. Budgeting in business, no matter how big or small the business might be, is basically a very simple exercise based on:

(1) How much income can we (pessimistically or optimistically) expect this year?

(2) Is the cost of running this business (expenses, wages and so on) more or less than the income?

(3) If less, we will survive and might even make a profit.

(4) If more, we will have to cut our costs or die.

One would have thought that's all pretty simple. And no matter what they say, no matter how big the financial department, how complicated the documentation or how important or clever the treasurer, that's what "the budget" is all about.

But the trouble with a country like ours is that firstly the Government (as the board of directors) has a fixed opinion that income may be infinitely increased (by taxation) and that secondly there is no reason to hold back on expenses (the public service).

The obvious result, and I mean obvious, is that everyone in the whole country will soon be working for the Government, paying all their salary in tax then and having it all paid back. When that time comes we might as well use monopoly money for all it will be worth.

We must have a foreign income to back the New Zealand dollar and to get it requires hard work by dedicated free enterprisers — for profit. The people with the flair, skills and sense of adventure needed to succeed on world markets just don't, and won't, work for the Government.

And when the foreign money starts to flow, when the country has money in the bank, if you like, and when most of the people are working to produce, when the state's business is reduced to an affordable cost, then and only then, should we live like kings. And then, and only then, will we deserve it.

History reports the anarchy, the total breakdown of a society that is broke. The people will rebel against over-Government and harsh taxes and tax-avoidance and evasion is just the start. The country simply will not survive but will die in luxurious extravagant debt.

Most of us love this small country of ours here at the end of the earth. We do have a wonderful potential for a way of life impossible in the rest of a crowded world.

But to keep it means plain hard work and sacrifice. All of us working for a "goal" — an objective plainly stated by Mr Wise Guy.

One must concede that governments, too, need a survival instinct and are obviously terrified of spooning out nasty medicine for fear of losing their job. Fair enough, but a little leadership goes a long way — in government or business — but that's another subject.

So, please, where is the guy who can stand up and state the problems clearly for all the country to hear and understand.

He should stand up now and say it: we are slowly going broke!

And while he is at it, he can state a few other plain truths.

There is a limit to taxation and it doesn't represent an infinite supply of income to the Government.

We cannot afford the public service, we just can't.

And, if we go on this way the country will simply give up, surrender to the inevitable, and history will judge harshly those who allowed it to happen.

As to what to do about it, how to solve the problem once it's been so clearly stated, the answer is just as simple: you just do it.

Because it *must* be done. Otherwise we are doomed. And that, and Mr Wise Guy, is a fact."

Robert P Bolton is [illegible] director of MacHarman ABH International.

Without word of a lie

Time for Trev

THE mood of black African reaction to the Springbok tour, if not appreciated by New Zealanders, is sure to be appreciated by Foreign Minister Brian Talboys. In light of his retirement after the November election, and Rob Muldoon's obvious need to find a replacement if his government is re-elected, we pass on this hint for patching up relations with Africa.

A roving journalist reports a conversation with Tanzania's National Sports Council director: "I do hope Trevor Richards is made a cabinet minister in the next Government" — a timely tip for a vacant candidacy.

For short . . .

A RECENT traveller to Australia reports that locals there now refer to New Zealand as "Fletcher Incorporated".

Letters

Rock lobster fishery

YOUR assertion (*NBR*, August 17, "Red Tape Strangles Lobster Fishery") that the Ministry of Agriculture and Fisheries agrees that regulations requiring deep-freezing of lobster tails before landing are unnecessary, is simply not correct.

The ministry has always accepted technical evidence which indicates that freezing of tails at -18°C is necessary to maintain product quality and accordingly supports the 1971 code of practice which recommends deep freezing. This is incorporated in the Fish (Packing for Export) Regulations which have been the subject of extensive consultations with the fishing industry.

Because of the industry concern on the issues raised in your article and a number of other matters, the Fisheries Hygiene Advisory Committee, which includes representatives of the various industry sectors, is being reconvened shortly.

J D McNab
Director, Meat Division
Ministry of Agriculture and Fisheries

Mr McNab's comments don't coincide with his statements to NBR, reported in our August 17 article.

He told us then that there was "not really" a need to meet the regulations on quality grounds because "in general" the main customer for tails — the United States — was happy with the quality.

That view coincided with the view of rock lobster fishermen who were adamant the regulations requiring deep-freezing of tails, due to be implemented on October 1, were unnecessary and threatened the viability of their industry.

— Editor

Evidence not presented

ANN Taylor's article (*NBR*, August 24) on alternatives to the Mobil synthetic petrol plant, states "Dr Colin Maiden, chairman of the Synthetic Fuels Corporation, expressed his reservation about the CNG option to the Planning Tribunal hearing the pros and cons of the plant in Taranaki at the moment." She goes on to quote extensively from Dr Maiden's statement which was circulated widely before the hearing by the NZSFC.

In fact, this material was never presented to the tribunal. Judge Treadwell ruled at the beginning of the hearing that no discussion of the merits of making synthetic petrol from natural gas, or of alternatives to the Mobil proposal, would be allowed.

Most of Dr Maiden's "evidence" was withdrawn. Other parties to the hearing, particularly ECO, the Values Party, and the North Taranaki Environment Protection Association, also wished to call evidence on alternatives, in order to evaluate properly the merits of this proposal, but have had to comply with this ruling.

Two conclusions emerge:

(1) The fact that Dr Maiden's attempted dismissal of the CNG and methanol alternatives should turn up in *NBR* as "evidence", shows that evidence ruled out of order can in fact have a greater impact on the public and decision-makers, because it is not subjected to cross-examination by other parties.

In this case, such cross-examination and further evidence would have shown that the figure of 600,000 vehicles needing conversion to CNG to equal the output from Mobil, is grossly exaggerated, and that the conclusion that alternative schemes could not be implemented fast enough, is based on quite unjustified assumptions about the future, and about the behaviour of motorists.

(2) In view of the extreme importance of this proposal to New Zealand's present economy and future transport system, it would be helpful if media could cover the tribunal hearings directly, rather than rely on material handed out by protagonists.

— Jeanette Fitzsimons
Auckland.

The statement was procured from the Commission for the Environment and used as the most lucid presentation of the Synthetic Fuels Corporation case. It was used to contrast the evidence presented by Jeanette Fitzsimons in her booklet, Synthetic Petrol or Sustainable Fuels, which the article was primarily about.

— Editor

No humour in comment

THE comment in *Without word of a lie* in the August 17 issue of *NBR*, using my name, failed to evoke in me the appreciation it may have merited from impartial readers.

A humorous pass at the public service — or a cheap shot? As a subscriber, I would like to think that *NBR* aspires to a higher than average journalistic standard.

Zoltan R Apathy
Wellington

Socred in Mt Albert

IF Social Credit relies on electoral analysis as fanciful as that proffered by its Mt Albert secretary in your columns (*NBR*, August 24), then its political opponents have little indeed to fear from it. The secretary's observations concerning Mt Albert in particular bear little resemblance to reality.

Far from finding widespread apathy in the electorate, as he suggests, my own experience has been to find considerable concern about the direction which New Zealand has taken under the present Government and a desire to do something positive about that by voting for the only real alternative to the conservatism of National and Social Credit, the New Zealand Labour Party.

As for Ian Andrews' contention that Labour has "a second-rate organisation (fewer members and supporters than Socred)", nothing further from the truth can be imagined. The Mt Albert Labour organisation would be commonly conceded by Labour officials right across New Zealand to be one of our strongest in a year when strong electoral organisation is a characteristic of the New Zealand Labour Party.

I can also report that Labour Party membership in Mt Albert is well in excess of the numbers of members which Social Credit claimed for itself in Rangitikei at its recent national conference.

Does Mr Andrews really imagine that your readers are so gullible as to believe that Social Credit membership in Mt Albert, where their candidates have polled a dismal third ever since the league's formation, could be greater than that?

Helen Clarke
Labour Candidate
Mt Albert

'Calamitous inflation'

IT is interesting that your writer W E Christie writing 'If Socred Wins Power . . .' (*NBR*, August 31) uses two main arguments to discredit Socred. The first is the very early writing of Douglas. Now Douglas was describing the conditions of the 1920s and the solutions that could be applied to correct anomalies.

It is the second point that intrigues me most. The words are taken almost straight from the infamous "leaked" National Party document that emanated from Parliament earlier this year. (The same one that suggested a tour by an anti-Social Credit economist and Friedman duly "paid" for his trip by obliging.)

This "calamitous" inflation is a curious bogey man. In 1975 Muldoon said that continued double-figure inflation would wreck the economy. He has continued it for the last six years and it has wrecked the economy.

I would like to ask your writer, W E Christie, this: If the money used to fund the internal deficit had been available for low-cost business capital, would this be the "calamitous inflation" that he writes of?

Either the writer is swallowing National Party propaganda hook, line and sinker or he's shares in a finance company.

E Britain,
Porirua.

Politics

The barbed wire has gone, but the jitters haven't

by Colin James

FOR your interest, the news media are not only entirely responsible for stirring up the anti-tour protests, but are also apparently cunningly manipulating your vote in the coming election.

The reasoning goes like this:

- The National Party has devised a brilliant strategy to make us all rich in the late 1980s;
- It has been trying to convince the public of the brilliance of this strategy;
- The public appears not to be getting the message;
- The reason is that the news media are not passing the message on to the public;
- Because the message is not getting through the people may mistakenly and through no fault of their own vote in the socialists and wreck their own future.

(They would also darken the future of the growth strategists, but in the noble, altruistic world of the politician, this consideration is a mere bagatelle beside the public interest.)

Shortly after the National Party conference a prominent party liberal tut-tutted to me about the emotional and vengeful anti-media outburst on the conference's last day.

"But," he added, "you brought it on yourselves." His reason: television, in its wrap-up of the leader's address, spent all its time on his comments on the tour and none on the growth strategy (not so, it was given three minutes).

Television's crime was to do as the National Party did instead of doing what it said.

The conference received the growth strategy section of the speech with little outward show of enthusiasm; the equally long section on the tour, on the other hand, had delegates on their feet stamping and cheering.

Whatever the conference *said* it wanted, it *acted* as if the growth strategy was of secondary interest. (Later, by the way, president George Chapman privately said he was happy with TV's overall conference coverage.)

Compelling messages have a way of getting through regardless of the worst the news media can do.

Take 1975: The National Party's message of decay, ruin and socialist takeover under Labour and the message of money in oldies' pockets hit their target.

If the growth message is not getting through it is because it is not (yet?) compelling.

When the elements of the programme began to come together in 1979 it looked like an election-winner in the potential it offered for the National Party to give a disoriented and directionless public a sense of long-term vision.

"Think big", the slogan which came a year later, could have meant taking a big-hearted visionary view of the future — a contrast with the narrow and initiative-inhibiting defensiveness of the past.

But the vision had not been fashioned to hold the components of the programme together. "Think big" equalled not "big future" but "big projects", "big risk", "big foreigners", "big cost".

Instead of inspiring and uplifting, it evoked fear and prejudice.

That the wrong message got through was not because the news media subverted the right message, but because the wrong message had been transmitted in the first place.

If the National Party is now having trouble getting the right growth strategy message through — and it is — it is because it has had to undo the "think big" diversion and at last build up a vision to envelop and ennoble the strategy.

For six months or so the Prime Minister, who has an unparalleled ability to put complex and difficult material in a simple and comprehensible form, has been talking at length on the growth programme.

Speech after speech has been just as he has claimed for them: positive, long-sighted expositions of growth. I have yet to come across anyone in the National Party who does not think they are just the speeches the party wants him to give.

But without notable success.

One problem: For two months the party's attempts to interest the public in growth have been swamped by the Springbok tour.

For a time that seemed all right. The news media showed nasty demonstrators interfering with ordinary people's civil rights.

The Government successfully sold the message to the public that it amounted to a battle between us and them: the Government, rugby players and ordinary, decent New Zealanders versus the loud-mouthed wreckers, Comms and the Labour Party.

But over the past four weeks or so, the Government's message has been muted.

The reason: despite the worst the news media could do, blowing the disruption out of proportion and making it look as if New Zealand really was in the grip of the radicals, the real message began to get through.

That message were that large numbers of New Zealanders had favourite maiden aunts, wives, children and even staid grandparents, not to mention friends, out there on the streets — if not in the flesh, then in spirit.

Many were there in the flesh: the children of one of New Zealand's most senior civil servants, for example; chunks of the Ministry of Foreign Affairs; conservative businessmen; even, in some cases, National Party conference delegates.

So what began as a ground swell of Labour desertions for National gradually came to be matched by a ground swell of National desertions for Labour. What the net flow has been is now anybody's guess.

The parties can't tell you. The deserters in each direction seem not to have been telling their old party they were going, so each party has been hearing only from the people who agree with it.

I have constantly had both parties' candidates and workers in the same electorates tell me — I think sincerely — that they have been hearing criticism only of the other party's position.

It is as if the nation has gone into a state of silent shock. New Zealanders on both sides of the affair have been brought face to face with an intensity of feeling they did not think New Zealanders susceptible to.

There are numerous accounts of otherwise gentle souls going near-hysterical in front of lines of riot police.

The police, subjected to heavy abuse, drilled into a battle psychology and enduring the fear of facing thousands of hostile demonstrators, have been driven to outbursts of angry beatings.

This is unnerving. And an unnerved public could just as easily turn on its Government (as a failed protector) as it could run into its reassuring arms.

The effect of this uncertainty has been to embolden a Labour Party that thought it would be done for by the tour and to give a previously confident National Party the jitters.

Little hints are emerging that some in the top echelons of the Government are seriously contemplating the possibility of defeat.

With the Springboks now gone and the barbed wire and riot shields put away — without measurable advantage having been gained during the tour — and with the unions refusing so far to disrupt the economy (the drivers settlement last week was in line with the Prime Minister's own guidelines enunciated a few months ago), the National Party has only the growth strategy to save it from the electoral ravages of inflation and unemployment.

Oh, and the Labour Party. For all the mounting internal confidence and all the pro-Labour propaganda alleged by the Prime Minister to have been force-fed into voters' minds by the wicked news media, the message the public is still getting is that the Labour act is not yet together.

But that does not preclude a win by default if anti-Government sentiment is not counteracted.

So it is up to the Prime Minister.

At this month's Dominion council meeting of the party he was unusually concilatory and solicitous of council feeling.

He was encouraged to confine his campaign to positive statements of the growth strategy — and responded with a vigorous commitment to do just that.

In jargon terms, he was promising to change the medium — from abrasive aggression against everything in his way to one of co-operative pursuit of a new future.

Can he? Or will the public still see the medium — and the message — of 1975? One thing we can be sure of: despite the worst the news media can do, the voters will see the real messages the parties have to offer and will vote with their usual wisdom.

Synfuel decision near

by Ann Taylor

A decision on whether the synthetic fuels plant will proceed will be made by Cabinet today — or more probably — next Monday.

The Cabinet Expenditure Committee last week considered the report of the joint economic committee (JEC), the Mobil-Government committee set up to assess the project. *NBR* understands the report was referred then for Cabinet consideration.

Under the heads of agreement between Mobil and the Government, a decision to proceed or not had to be taken within 60 days of the JEC report being finished — a period which finishes next Monday.

Economics

Springbok tour serves as economic 'up and under' to distract us from National's 'more tries than goals'

by Bob Edlin

IF nothing else, the just-ended Springbok tour has served to divert attention from the economic scoreboard. And to the extent we have been preoccupied with test and provincial results, or the twice-weekly tally of arrests and protest injuries, the Government should be delighted. Because it means we may not have noticed its performance on the economic field.

It's a performance which augurs ill for the National team as it limbers up for the test that matters in November — so long as the public has been keeping up with the play.

National can be forgiven for hoping that observers aren't taking too much notice of its record, at least insofar as it has been recorded in the statistics. Hence the Springbok tour must have been a blessing, because it offered a more absorbing spectacle for the news media than balance of payments data, and so on. Then there's a royal tour as a curtain-raiser to the election, which should help draw attention off National's coaching sessions.

But between the rugger and the royals, let's take time out for a few observations of National's playing style and its forward capacity for getting the possession necessary for a 20-year dash to Think Big victory.

The big problem facing the front row has been unemployment, and National has lost more than its fair share of loose heads.

Registered unemployed in 1975 peaked at 5271 in the month of August.

The monthly numbers remained below 10,000 until November 1977, when they climbed to 13,053 from 9034 a month earlier.

By July 1978, they had reached more than 26,000, but they kept below 30,000 until June 1980.

Since then, Labour Department statisticians have been as busy as rugby score-keepers keeping up with Naas Botha on the rampage.

In July 1980, 37,100 registered unemployed were recorded; the 40,000 mark was exceeded in August; by December the sorry tally had almost hit 50,000.

The latest figures — for July this year — show registered unemployed at 48,455 (more than 10,000 higher than in the month last year). And if you toss in those on job creation schemes — something Labour Minister Jim Bolger prefers we don't do because they are employed, albeit artificially — we have a grand total of 71,160. Because many unemployed do not register, the real total of unemployed is anyone's guess.

What about the loose forwards, making their dashes from around the scrum and into our export markets to grapple with our balance of payments problems?

They appear to be doing a fine job. But if Bank of New Zealand forecasting is any guide, then the gap between receipts and outgoings in our overseas accounts is about to widen as perturbingly as the gap between All Blacks and Springbok scores in the second test (third test comparisons, we regret, could not be included in our analogy; the game had not been played when we went to press).

The current account balance had been a massive $1384 million in the year to March 1975. The Muldoon Government successfully whittled it back to $1016 million a year later, and by March 1979 had reduced it to $469 million.

A year after that it was up to $782 million; this March year it was $770 million.

The contribution of exporters has been laudable. Given the fillip of incentives exports of goods and services have risen steadily and impressively between March 1975 ($2142 million) and March 1981 ($6989 million).

But as Ian Templeton recently noted in the *Auckland Star*, exporters "can be forgiven the feeling that the harder they run, the more the country stands still".

He used figures for the year to June, which showed that while exporters turned in "another extraordinary performance in boosting overseas sales to a record $6185 million", 20 per cent more than the year before, the country still finished up $725 million in the red.

He questioned whether exporters could maintain the momentum of the export boom and surpass the rate of growth they have achieved in each of the past four years. And he identified two factors which have dragged us into the red — the oil bill (up 57 per cent last year) and the drain of "invisibles" (which last year widened to a deficit of $1160 million — $300 million more than the year before).

The BNZ forecasts a near doubling of the March 1981 year deficit to $1590 million for the year ended March 1982.

That would increase it from 11 per cent to almost 20 per cent of our export income, and from 3.2 per cent to 5.5 per cent of gross domestic product.

Capital repayments and interest payments on overseas debts will play a significant part in pushing us into the deficit mud.

The Government began borrowing heavily in 1975. Many of its loans — on five-year terms — are now maturing.

Debt servicing comprised 3.8 per cent of our exports of goods and services in 1975; we now need 17.2 per cent of those receipts to pay back our overseas debts.

In the year to March 1982, $214 million worth of debts will require repayment; by 1985, maturing debts will have soared to $1114 million.

In this country, the economy is traditionally propped by Government spending. And budgeted spending in that sector is so far ahead of projected income that it seems the ball just might go so far into the dead ball area that it will be irretrievable. Until it stops rolling, there can be no likelihood of the public being treated to National's cover defence bringing down that villain of the grandstand public, direct taxation.

The latest audited summary of receipts and payments of the Public Account for the first quarter of this financial year recorded taxation receipts of $1256 million — a rise of almost 26 per cent compared with the June quarter last year. Income tax was up 22 per cent, in spite of the much-vaunted tax cuts which took effect in February, and at $797 million was running unusually high for a June quarter.

There is scant talk these days of tax cuts, and the more fundamental issue of tax reform is in the hands of a task force which we shouldn't expect to hear firm ideas from this year.

If the Nats are showing a free-flowing playing style, it is in the money supply. Muldoon announced a neutral monetary policy in October last year, to end 18 months of pressure on lending organisations aimed at reducing the money supply.

Since then, the money has poured into circulation and business is brisk for the real-estate industry, the motor industry, and the retail sector generally. But we would have cause to feel a bit happier about the Government's largesse if more of that money were being ploughed into productive enterprises. It is going, rather, into consumer and luxury items, feeding inflation and the balance of payments as demand increases for imports.

The most troublesome aspect of National's six years performance has been its inability to tackle inflation — a point emphasised time and time again by a number of critics.

Team captain Muldoon himself once gloomily warned of all sorts of bother on his own try line if inflation couldn't be brought down to single-digit size. He has since almost resigned himself to those problems as inflation climbed to more than 18 per cent in the March 1980 year; it remains high — and should have his team on the defensive — at the 15 per cent level.

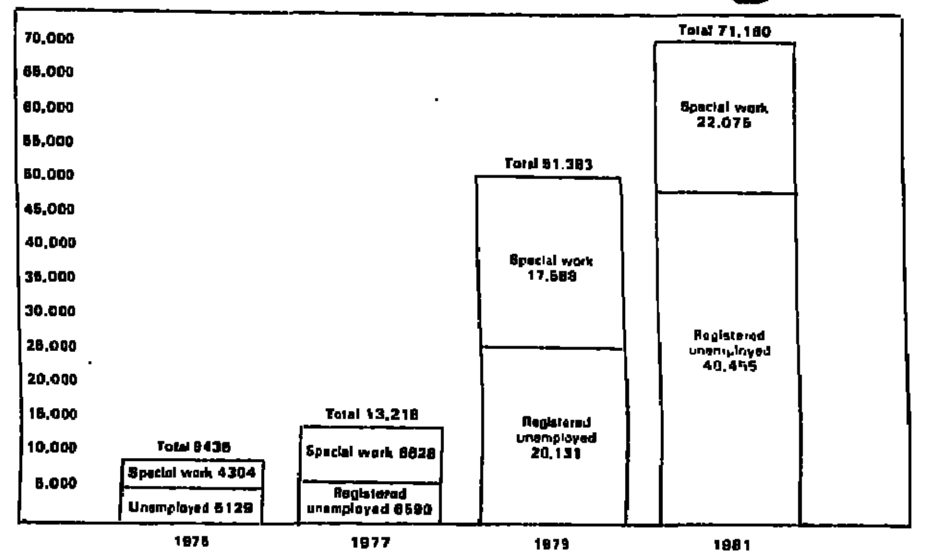
There has recently been a belated, but welcome, show of dash from the previously starved three-quarters. The June *Quarterly Predictions* from the Institute of Economic Research recorded a growth of 2½ per cent in the March 1980-1981 year and acknowledged that real output was stronger than the institute had previously reckoned.

Growth of 3 per cent was forecast in the March 1981-82 year, but the institute expected expenditure on capital formation and rebuilding depleted stock levels to increase more rapidly than output.

These are healthy signs after five years of static — and in some years declining — growth.

Meanwhile, the institute has been recording business confidence at more buoyant levels than in previous years.

It is almost impossible to guage the strengths and weaknesses of the other teams from performance. Labour has been forced to sit things out on the sidelines since November 1975, and Social Credit has never been given the chance to display its unconventional style of play on the Treasury benches.



National, on the other hand, can be judged by six years of hard slog as well as the future promise of a scintillating performance that within two decades will see its tries converted into energy riches for all.

Depending on how the respective strategies are spelled out, the people's capacity to decide who deserves to win will be a bit like trying to pick which way a Rollerson speculator into Springbok territory is going to bounce.

Forestry

NZ may be able to save export incentives

From Page 1

test", — where they have to prove their business has been adversely affected by the imported competition.

Gatt is regularly referred to as the "rich man's code". It was drafted by the Americans and Europeans and while it takes a harder line on subsidies on manufacturered goods than on agricultural products, New Zealand is finding the codes have been structured to favour the major industrial producers rather than agricultural countries.

But at the same time Gatt has been designed to not proscribe the export subsidy practices of the architects of the agreement — particularly the protectionist United States agriculture industry.

Direct export incentives are outlawed by those countries signing the Code on Subsidies and Countervailing Duties, and the United States has told those countries reluctant to sign that existing legislation in the States enabling the imposition of countervailing duties will continue to be used against their exports.

Details of the proposal put up by New Zealand for the Americans' consideration are top secret — except that they do not involve any dismantling of existing export incentives.

But the petition filed against New Zealand lamb will act as an incentive for New Zealand to sign up as quickly as possible.

Timing is all important, the US Commerce Department preliminary determination of whether the petition against New Zealand lamb is warranted is due to be announced on Friday (September 19) while the department's final determination is due in the beginning of December.

One trade expert told *NBR* "if the final determination confirms New Zealand lamb is subsidised in terms of the Code of Subsidies agreement then the countervailing duties would be enforced from the beginning of December.

"So from that point of view it would be very nice if we could tie up the Code of Subsidies signatory matter before December."

Though New Zealand's export incentives are proscribed in the Code the current discussions are on whether the signatories will accept New Zealand in terms of a degree of conformity.

"We haven't completed the negotiations with the Americans yet, though we have got to the stage where we have put forward a proposal which we think they will agree with," our trade source told *NBR*.

"If we join the code we could probably continue our agricultural and forestry subsidies but the incentives applied to manufactured goods would have to go in terms of the strict letter of the code."

Our trade expert told *NBR* "two of the major criteria in the government's mind when it was negotiating were that it had given a commitment to continue export incentives till 1985, and that it would certainly not be helpful to industry if export incentives were suddenly killed at this stage.

"The strict letter of the code requires that there be no non-conforming subsidies but we have been negotiating from the point of view that New Zealand was not in conformity from the outset because we weren't involved in the original planning of Gatt."

He believes New Zealand might be able to get in if it agrees to "move in the direction of conformity over a certain period of time.

"The Americans have a problem with their domestic regulations where they're obliged to countervail if subsidies are found where the exporter is not a Code signatory — whereas signatories can seek to apply the injury tests.

"The Government believes that any sort of definite timescale for alterations to incentives is unacceptable."

Timbermen hit back

by Klaus Sorensen

THE FOREST Council conference has produced a shrewd answer to Prime Minister Rob Muldoon's threats to kill forest industry export incentives.

The conference working party on financial implications has produced a report which reminds the Government that any move to replace export incentives with a currency realignment would benefit the agricultural sector — and so to maintain parity the Government would have to take something from the farmer.

Muldoon fired the export incentives issue into the forestry conference's court in his budget — now the conference has replied with a determined volley of its own.

The Budget threat to review forest export incentives, and a follow-up reference to them at a Wellington Chamber of Commerce lunch sent the forest industry into a state of shock.

In his Budget speech Muldoon said the Government would examine the recommendations of the forestry conference closely. "In particular we will undertake a searching review of the incentives and taxation concessions available to forest industries.

The report of the working party on financial implications was presented to the conference, held at the Beehive last Monday.

The report recommends that incentives stay as they are and suggests a working group be set up, including Treasury representatives, to investigate five areas: exchange rate, capital supply, mill-related incentives, sytems of taxation and land tax, "to maintain the forest industry's ability to compete internationally."

On the face of it the working party report is an exercise in not offending anyone. There is considerable ill-feeling in the industry about the privileged stumpage and electricity supply arrangements enjoyed by Tasman Pulp and Paper, yet the working party has paid little attention to the mounting pressure for a redistribution of industry benefits.

Under its conclusions and recommendations, the working party states "concern has been expressed to the working party in regard to equality of opportunity in the terms of supply and costs for state-controlled resources, particularly forest products and electric power."

The working party accepts that the Forest Service and Ministry of Energy endeavour to apply procedures in an even-handed manner."

And the working party's recommendation on this score is "the working party confirms the principle of even-handed treatment to all competing groups for state-controlled resources."

Working party chairman Peter Olsen, of Rotorua, took some of these points further in his address to the conference — and in particular reaffirmed the industry's fear of the Gatt code of subsidies, and the Government's apparent determination to remove or alter the forest industry's export incentives.

The working party report also investigated incentives in relation to agriculture and to overseas competitors, as well as on an inter-sector basis.

As far as incentives went, "it has been felt that in the main a reasonable balance already exists, except that an element of restructuring in some areas is recommended.

"The general impression is that compared with the level of incentives in the agricultural sector, incentives for encouragement of export activity in the forest sector, are in total not out of line with incentives for the farming sector, although some redistribution between forest grower and forest processor appears justified.

But then the report makes its clever point on currency realignment; "if a major currency realignment of the NZ dollar were made which would benefit both sectors in approximately the same proportion, then any offsetting modification to export incentives in the forestry sector should be compensated for by (a) similarly modifying incentives in the farming sector, and/or (b) changing other incentives in the forestry sector to compensate."

Olsen made several references to Gatt in his speech, and later told *NBR* he thought the Code of Subsidies was probably the biggest threat to New Zealand's forest industry at present.

He told the conference that "An examination of the complex range of incentives, tax policies and like forms of Government support enjoyed by other international competitors has shown that this is substantial, although difficult to examine in proper detail.

"Our conclusion is that we have to accept that our competitors obtain significant Government support and must shape our New Zealand policy accordingly. Given our own New Zealand ingenuity in this area I cannot presume that competitor countries will be inhibited by the Gatt code on subsidies.

"The Prime Minister's speech to the Chambers of Commerce in Wellington on July 17 and subsequent development on the Gatt code of subsidies show a clear Government intent to examine export tax incentives," Olsen told the conference.

"These developments followed preparation of the working party report and a number of forest industry representatives have expressed concern at the suggested removal of these incentives prior to 1985 without some compensating measures.

"When these export tax incentives are examined they constitute the only Government support common to all forest companies."

Sharemarket

Is new day of the miners truly dawning this time?

by Klaus Sorensen

MORE false dawns have been predicted for the sharemarket's mining stocks than just about any other share on the stock exchange lists.

But the move by the New Zealand United Corporation Ltd to establish a mining shares index must lend a new respectability to the market's bridesmaids.

Up until a couple of years ago the then five members of the mining board had a well-earned reputation for being "penny dreadfuls".

They were formed in the early 1970s as some sort of answer to the Australian mining boom — we New Zealanders were determined to prove to the Aussies they weren't the only ones with glamour mining stocks.

But the only thing these companies proved was that they were a bad idea from the start.

Some were formed purely for the sake of floating a company — the mineral prospects themselves seemed to be an incidental afterthought. And they all made the mistake of floating on an undersized capital, then going to shareholders after a few years for more loot.

Coupled with the collapse of the Australian mining boom and the consequent scandals which prompted the Rae Report inquiry into the Australian sharemarket, the New Zealand miners soon waned in popularity and respectability.

Some, like L & M Oil, managed to keep up a degree of momentum through into the late 1970s while the likes of Mineral Resources — though reduced to virtual poverty at times — never gave up.

But the spiralling oil price coupled with major advances in oil exploration technology, and the rise in the gold price, gave mining investment a new lease of life.

Mineral Resources found an American partner and has enjoyed income from gold exploration finds, sufficient to mount a successful reassessment of many old Waihi mines.

Other miners, such as Southern Cross and Consolidated Minerals (nee Silver), have tried to look busy, but to less effect than MR.

L & M Oil spent much time and money on the McKee onshore prospect before losing out in a mining licence application to the state-run Petrocorp.

McKee has since produced oil sufficient to equal 2 or 3 per cent of New Zealand's needs — but it looks like L & M is having difficulty recovering from the blow. The company is now hunting around Otago for gold — but its chances of seeing the $3.00 share price achieved, when the company was first listed, seem very remote.

NZ Petroleum, now largely American-owned, is still in with a chance in the offshore oil exploration programme.

The resurgence of interest in mineral and oil exploration, which occurred a year or so ago, has seen the addition of three new miners to the stock exchange boards (though NZOG hasn't quite made it yet) and from that point of view the NZUC mining index couldn't be more timely.

It will allow the active investors in this sector to monitor new investment interest — and for that matter lack of interest — and will enable them to be a little more scientific about their trading.

The index will certainly fluctuate more than the NZUC industrial index because of the relatively low number of stocks and their inherent volatility.

For this reason the mining index will also be more "telling" than its larger industrial brother — the mining sector is famous for its "leaks" and the index will help to show up any sudden action among the mining shares.

The mining stocks produce the worst in listed companies. On one hand the mining companies generally seem reticent about their activities with infrequent reports to the exchange and poor annual report disclosure, and on the other, there is always a group of investors who seem remarkably well-informed about what mining companies are about to do and when.

But mining stocks tend to attract the market's gamblers, so a greater degree of information peddling and insider trading is perhaps not surprising.

Another problem with the mining stocks is the lack of analysts experienced in mineral prospect assessment.

While there are some excellent industrial company analysts in New Zealand, few brokers are in a position to advise clients on the "worth" of companies like Mineral Resources, or on the value of the new oil company shares, on the basis of their licence areas.

So investment in the miners is largely guesswork.

But there seems little doubt that the market is taking an unduly cautious, not to say pessimistic, approach to the new oil explorers.

Cue and NZOG are part of a Government-inspired $500 million oil exploration programme and both have Petrocorp as a partner in their licence areas — so it seems a shame that private investors have been so reluctant to risk their capital.

Cue shares are down to what some claim is a bargain price of 20 cents and it now seems some of the initial selling pressure may be easing off.

This company presents a particularly interesting opportunity for investors in that the downside seems minimal and the gearing is very high — a rise in the share from 20 cents back to the 25 cent issue price would provide a gross 25 per cent gain and besides which, what else can you buy on the can you buy on the sharemarket for 20 cents?

NZOG is a rather sadder story. The shares were rumoured available in the vestibule last week for around 40 cents, and it looks as if they will trade at less than that when they list, due to initial selling pressure.

Though overseas investment interest was originally tipped as

Still, it's not too late:

being likely to boost the share price, it now seems any overseas buying orders will have to be pretty massive to overcome the loss of confidence in this float.

Still, those investors who feel they have been burnt by the two new floats should spare a thought for those remaining Republic Oil shareholders.

Those shares sold as low as half a cent a share before delisting a couple of years ago, and at last report they were selling at one cent per 100 shares.

So if you sold 100 Republic shares at the moment, the $5.00 minimum brokerage fee would leave you with a $4.99 loss on the deal.

DISCLOSURE: The writer holds shares in Mineral Resources and Southern Cross — and bravely subscribed for both the Cue and NZOG issues.

Finance

The business week

Associated Pulp and Paper Mills Ltd: audited consolidated group profit after tax for the year ended June 30 1981 was $19,044,000 (last year $11,989,000). A final dividend of 9 cents a share will be paid on October 23.

Bing Harris and Co Ltd received notice of a takeover bid from **Brierley Investments Ltd.** The offer was for all Bing Harris shares at 95 cents each. Directors issued a "don't sell" notice, and noted the recent trading price for Bing Harris shares was 15 cents above the offer price. Brierley withdrew its bid and the "don't sell" notice was removed. Subsequently, Bing Harris announced an unaudited after-tax net trading loss for the six months to June 19 1981 of $645,000. The board said the reconstruction period has been substantially completed and indications were the steps had been effective. No interim dividend will be paid.

B H South Ltd: audited net consolidated group operating profit for the year ended June 23 1981 was $10,178,000 (last year $12,140,000). A final dividend of 5 cents a share will be paid on October 23.

Bridgevale Mining Ltd: drilling has started on the Hearn No 2 well on the **Wylie Hearn Oil and Gas** lease in West Texas in which Bridgevale has a 20 per cent interest. Bridgevale also announced preliminary work had begun on its joint-venture chromite project with **Hancock and Wright** in Western Australia.

Bunting and Co Ltd concluded the purchase from institutional investors of 20 per cent of the shares in both **New Zealand Farmers Co-operative Association of Canterbury Ltd** and **MSI Corporation Ltd,** and 10 per cent of **Andrews and Beaven Ltd.** Consideration was cash and the issue of 2,125,000 shares. Sellers agreed not to trade the Buntings shares before July 1982 when Buntings final result for the year to March 31 1982 would be known.

Command Services Corporation Ltd: Arrangements were concluded for a merger of the company's Australian and New Zealand operations with those of the **Pritchard Services Group.** Command will acquire **Pritchard Services Group Pty Ltd Australia** and **Keir Cleaning Ltd New Zealand** and will issue 1,911,598 fully paid-up 50 cent ordinary shares in payment. The transaction has received Overseas Investment Commission and Reserve Bank approval in New Zealand but is still subject to review by the Australian Foreign Investment Review Board.

Feltex New Zealand Ltd: audited net profit after tax for the year ended June 30 1981 was $17,475,000 (last year $13,083,000). A 1-for-10 bonus issue is recommended with new shares participating in the final dividend. A final dividend of 14 per cent, making a total of 22 per cent (last year 20 per cent), will be paid on November 6.

Hallenstein Bros Ltd: unaudited net profit for the 13 months to August 1 (after change of balance date) was $1,897,000 (last year $1,574,000 for 12 months). A final dividend of 10 cents a share, plus 1½ cents special, will be paid October 23, making a total of 19½ cents for the 13 months (last year 18 cents). The annual meeting will be held the same day.

Hooker Corporation Ltd: profit after tax for the year ended June 1981 was $11,083,000. A final dividend of 3.75 cents a share will be paid.

New Zealand Refining Co Ltd: unaudited profit after tax for the six months ended June 30 was $2,301,000 (last year $1,753,000). An interim dividend of 5 per cent (same as last year) will be paid on October 15.

New Zealand United Corporation Ltd, subject to the approval of the examiner of commercial practices, has contracted to sell its shareholding in **Property Securities Ltd** to the **National Insurance Co Ltd.** The transaction involves 1,220,573 ordinary 50 cent shares, about 28 per cent of the issued ordinary capital of Propsec. The consideration price is $2.50 a share.

Nylex Corporation Ltd announced the acquisition of the remaining half of the New Zealand acrylic and polycarbonate sheet distributor, **Cadillac Plastics (NZ) Ltd,** by its Australian subsidiary, **Cadillac Plastics (Australia) Ltd,** which previously owned 50 per cent of the New Zealand company.

Phillips and Impey Ltd has now changed its company name to [illegible] **Hardy Impey.**

Property Securities Ltd: [illegible] group net profit for the year ended [illegible] 31 1981 was $1,020,482 (last year $668,020). A final dividend of 12 [illegible] cent is recommended.

Repco Ltd (Australia) achieved [illegible] 24.9 per cent interest it had been seeking in **MSI Corporation Ltd.**

Scott Group Ltd: audited consolidated net profit after tax for the year ended June 30 1981 was $1,038,500 (last year $721,905). A final dividend of 11 per cent (last year 10 per cent) will be paid on October 22. The AGM will be held on October 21.

Speirs Group Ltd's savings bond [illegible] debenture stock issue of $2 million has been oversubscribed. Applications are still being accepted as the prospectus terms allow over-subscription of a further $2 million.

TNL Group Ltd has sold its [illegible] shareholding in **TNL Orchards Ltd,** a former wholly-owned subsidiary, which owns a kiwifruit orchard in Te Puke. The consideration was in cash.

United Building Society of Christchurch: an interim dividend of 6 per cent will be paid on October 1.

Williamson Jeffrey Ltd and **Printing and Packaging Corporation Ltd** announced that as part of their rationalisation programme Printpac will take over the retail business of J A McKay and Co Ltd from Williamson effective October 1 1981. Williamson will acquire the trading assets of Printpac's [illegible] wholesale stationery division the same day.

Economic indicators

DEPARTMENT of Labour figures show 17,596 people were registered as unemployed at the end of last month, a drop of 859 from the end of July. Of that total 3,261 were school-leavers (down 143 on last month). The number of people in fully subsidised public [illegible] and subsidised PEP private positions rose. The job creation programme increased by 791 to 13,465 and 10,[illegible] people were in PEP jobs, a net increase of 705.

Stock Exchange weekly review

FOR WEEK FRIDAY SEPTEMBER 4 TO THURSDAY SEPTEMBER 10

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	110	112	110	1500
6% pr	125	---	---	0
Ajax G K N	405	405	405	15000
Alcan, 50c	170	170	170	4200
A H I	288	290	287	23600
Alliance, 50c	145	145	140	102700
12% conv pr	125	130	125	3900
Allflex	141	142	138	9400
Allied Farmers	340	340	330	104900
12% conv pr	365	365	365	35700
Alloy Steel	225	---	---	0
A M Bisley, 50c	240	240	240	600
Ampol Pet, 50c	247	---	---	0
A Beaven	148	150	147	32000
11.5% conv pr	130	130	130	1000
16 con pref	140	---	---	0
Andas Group	156	156	148	4700
5-6.5% pr	121	---	---	0
12% conv pr	127	---	---	0
ANZ Banking Group	370	370	357	8600
A Wright	370	---	---	0
'A' 6-7.5% pr	80	---	---	0
'B' 5-6% pr	60	---	---	0
A Barnett	368	368	365	5700
A Ellis	72	73	55	47400
Ashby Bergh	385	385	385	300
A B Cables	335	---	---	0
Atlas, 50c	67	67	55	29100
10% conv pr	65	65	55	12000
Auck Gas	268	268	265	5800
Aurora, 50c	252	252	232	20300
10% conv pr	270	270	270	100
14% conv nts	190	190	188	2100
A C I	270	---	---	0
Autocrat Sanyo	285	285	272	18200
Baillie, 50c	80	86	80	2500
Ballins, 50c	125	126	125	4100
11% conv pr	115	115	112	2500
Bank NSW	536	536	536	500
Beach Petr, 50c	445	---	---	0
Bendons,	187	189	186	37500
Bing Harris, 50c	115	122	100	757742
B N Z Finance	410	410	350	18100
Bridgevale Mining	123	123	107	30700
Brierley, 50c	485	485	460	00450
15.75% spec pr	100	100	100	9300
Bos, 50c	78	80	77	8700
B H P, 200c	2150	2250	2150	850
Brother, 50c	100	110	95	200
Bunting, 50c	210	215	203	29500
C P D	330	330	325	17800
10% conv pr	380	---	---	0
C F M	350	350	350	100
12% conv pr	215	215	215	2800
Cant Flour	220	---	---	0
Cant Timber	335	335	335	2900
12% conv deb	335	335	335	100
Capital Radio, 25c	115	---	---	0
Capital Life, 50c	105	105	105	1000
Carbonic Ice	280	---	---	0
Carter Holt	395	395	376	12800
CBA Finance, 50c	305	310	305	2500
CCL	285	285	275	6300
Ceramco	250	252	248	43900
12% conv pr	175	175	175	21100
16% red spec pr	400	---	---	0
Chenery	335	335	323	72700
Ch'ch Gas	300	300	300	1600
Ch'ch Press	385	---	---	0
City Realties, 10c	55	55	55	15600
Clyde Group	120	120	120	3200
12% conv pr	110	---	---	0
Collingwood, 50c	62	63	62	4600
13% conv pr	52	--	--	0
Col Motor	308	---	---	0
Colyer Watson	110	110	110	2400
Comalco, 50c	230	230	230	500
Command	220	220	220	900
Con Metal, 50c	165	165	165	8200
conv pr	200	200	200	2500
Con Minerals, 4c	20	20	19	117300
Cooks Wine	125	125	118	3700
Cory-Wright	200	200	200	300
12% conv pr	225	---	---	0
16.25% conv pr	200	---	---	0
Crown Consolidated	245	245	240	4500
11% conv pr	225	---	---	0
C S R	992	---	---	0
Cue Energy	19	21	19	233500
Options	8	9	8	149100
Dalgety (NZ)	289	289	285	8100
Dalhoff & King, 50c	60	62	60	12000
Deanes	170	---	---	0
D I C	210	215	210	7600
12% conv pr	167	167	167	100
Dingwall & Paulger	285	285	285	1200
D McI Wallace, 50c	101	105	95	22800
12% conv nts	80	80	80	1400
11% nts '82	102	105	100	6000
Dom Brew, 50c	120	122	120	63300
5% pref	80	80	80	500
11% conv pr	80	80	79	2500
Donaghy's	150	150	148	2900
12% conv pr	165	165	165	400
D R G, 50c	100	100	98	4600
Dunlop (NZ)	380	380	380	200
4.5% pr	55	---	---	0
Ebbett	140	---	---	0
Ebos, 50c	128	128	128	1200
E Lichtenstein, 50c	415	415	400	5650
Emperor Mines, 10c	178	---	---	0
Endeavour	210	220	210	4800
E Adams	230	---	---	0
Europa pref nt	92	92	92	500
F T C, 50c	140	140	130	4400
11% conv pr	106	106	106	1900
F Walmsk, 50c	82	82	82	300
Feltex, 50c	177	180	168	264200
5% pr	175	175	175	600
16% pr	175	177	173	33000
Firestone NZ	145	147	145	1700
Fisher & Paykel	330	339	312	15299
Fletcher-Challenge	240	245	240	179000
15% conv pr	103	105	103	3000
16% conv pr	400	400	400	8000
Fountain Corp	110	110	110	2200
Foveaux Radio	100	100	86	1200
Freightways, 50c	192	195	192	2800
10% conv pr	150	150	150	1400
Gear Meat	64	65	64	7600
11.5% conv pr	62	--	--	0
G Court	170	170	170	600
G J Coles, 50c	400	---	---	0
Golden Bay, 50c	67	70	65	137200
Goodman Group	212	212	208	50300
14% conv pr	195	---	---	0

	Last sale	Week's high	Week's low	Turnover
Grosvenor Props	90	90	90	300
Hallenstein	270	270	268	6100
Hauraki Enterprises, 25c	148	148	142	7600
Hawkins, 50c	115	115	105	24600
6.5% pr	28	---	---	0
H B Farmers	270	270	270	1300
13% conv pr	180	---	---	0
Healing	190	195	190	20100
12% conv pr	250	---	---	0
H Pollard	210	---	---	0
10% conv pr	400	---	---	0
Henry Berry, 50c	190	190	182	14000
Holeproof	255	255	250	6900
Hume Industries	183	183	183	600
5-7.5% pt pr	40	40	40	400
I C I (NZ)	220	220	215	4800
Ind Broadcasting	102	---	---	0
Independent News	192	192	188	4800
Ind Chem, 50c	210	210	200	6400
I Watkins-Dow, 50c	220	220	215	6200
James Smith, 50c	83	83	83	300
14% conv pr	60	--	--	0
12% conv pr	54	54	54	200
J Burns	105	105	100	9400
14% conv pr	220	---	---	0
John Edmond	240	240	240	400
J Webster, 50c	85	90	81	136800
12% conv pr	60	60	60	200
J Nathan	150	---	---	0
J Rattray	255	260	255	1100
12.5% conv pr	210	---	---	0
L W Rudkin, 25c	96	97	93	35800
12% conv pr	125	---	---	0
Lanes, 50c	112	112	112	2000
L D Nathan	224	224	223	10900
9.5% conv debs	227	---	---	0
15.5% conv pr 90	218	218	215	7400
Leyland, 50c	170	170	170	900
Lion, 50c	154	154	148	67900
10% conv pr	160	160	160	6200
12% conv pr	127	127	125	1300
L & M Oil, 50c	32	33	32	10000
Lusteroid	240	240	240	200
Mainzeal Corp, 50c	220	220	220	12500
15% conv pr	120	---	---	0
Mair, 50c	340	340	335	4300
11% conv pr	310	---	---	0
Manawatu Knit, 50c	110	110	110	300
Manawatu Radio	120	120	117	1700
Menthol	215	---	--	0
Marac	196	197	196	14400
McAlpine, 50c	132	132	130	2500
McKechnie	230	230	230	3500
Midland	220	220	220	500
11% conv pr	200	---	-	0
Min Resources, 20c	104	105	99	25000
M O'Brien, 50c	72	72	72	10300
12% conv pr	58	58	58	2700
15 conv pr	51	51	51	3300
Montana, 50c	158	158	158	13300
M-P I M	210	210	200	2900
Motor Holds, 50c	185	185	175	11900
Motor Trad, 50c	90	--	--	0
5-6% pr	62	--	--	0
11.5% conv pr	62	--	--	0
MSI Corpn, 50c	100	121	100	814545
12% conv pr	95	95	95	2800
Mt Cook	210	212	210	3800
conv pr	177	177	173	3100
M I M Holds, 50c	776	---	---	0
Nat Insurance, 50c	312	312	310	22800
Naylor	145	---	---	0
5% pr	30	--	--	0
Neil Holdings, 50c	89	90	88	71200
N Z Cement	128	130	128	17100
N Z F C, 50c	150	150	145	13400
11% conv pr	140	140	140	2000
N Z Farm Fert	222	224	222	2600
12% conv pr	190	---	---	0
14% conv pr	175	175	175	800
N Z F P	360	372	360	17100
N Z I G	425	---	---	0
NZI 10% conv pr	265	265	265	1300
N Z Light Leathers	57	--	--	0
N Z Motor Bodies	80	80	80	1200
N Z M C	193	197	187	120900
N Z News	240	240	236	8900
N Z Petrol, 50c	270	270	270	200
N Z Refining	155	158	155	15200
NZSB	90	92	90	415000
N Z Steel	214	214	208	11000
N Z United	600	600	600	4190
Nuhaka	185	197	185	4700
Odlins, 50c	94	96	92	35100
'A' 6% pr	68	---	---	0
12.5% conv pr	70	70	70	13200
'B' 13% conv pr	70	70	70	600
15% con notes	115	115	115	12700
Optical	58	60	58	7900
12% conv pr	48	48	48	300
Otago Press & Prod	175	175	175	500
Pavroc Holdings	240	---	---	0
P D L Holds, 50c	300	300	300	4300
Perm Invest	95	98	95	400
Phillipps & Impey, 50c	272	275	270	1100
Printing & Packaging	200	200	196	12500
11.5% conv pr	168	168	167	2600
Progressive	185	185	182	45200
12% conv pr	420	420	420	1400
Prop Securities, 50c	250	270	250	69800
Prud Building	125	---	---	0
Quill Humphries, 50c	115	---	---	0
12% conv pr	110	---	---	0
Radio Avon, 25c	130	130	130	5100
Radio Otago	100	---	---	0
Regina	165	---	---	0
R & W Hellaby	100	100	99	87700
Reid Farmers	400	400	400	100
Repco (NZ), 50c	88	90	87	2100
Revertex	320	320	315	1300
Rex Consol	320	320	312	900
15% conv pr	180	---	---	0
Rheem, 50c	165	165	165	4800
Rothmans, 50c	163	165	158	17000
R W Saunders	316	316	316	21300
Selmond	235	235	235	7200
Sanford	345	---	---	0
pr	315	316	315	200
12% conv pr	305	---	---	0
12% 'B' conv pr	285	---	---	0
Schofield	200	200	190	3400
Scott, 50c	103	103	102	11000
12.5% conv pr	90	--	--	0
Selby	280	--	--	0
Skellerup, 50c	365	370	365	2400
5-7.5% pr	40	--	--	0

	Last sale	Week's high	Week's low	Turnover
Smith Biolab, 50c	185	---	---	0
12% conv pr	170	170	170	100
Smiths C M	200	200	198	9600
Sthn Cross Hotel	190	190	190	4400
Sthn Cross Mins, 20c	42	42	40	14300
S F M	292	295	292	6300
Spedding, 50c	70	70	70	7700
12% conv pr	78	78	77	800
Steel & Tube, 50c	132	135	130	7500
Suckling	160	160	160	400
Taylors	155	155	150	1200
12% conv pr	180	---	---	0
Teltherm	150	165	150	11500
12% conv pr	145	145	145	200
T J Edmonds	290	295	290	6300
Tolley	185	190	185	2000
Tourist Corp of Fiji	40	--	--	0
Trans Ashburton, 50c	62	62	62	1000
TNL Group, 50c	119	120	15	92800
10% conv pr	95	95	90	600
12% conv pr	107	107	107	6500
Trans (Nth Cant)	142	142	142	100
13.5% conv pr	115	---	---	0
16% conv pr	115	---	---	0
U E B, 50c	114	116	113	51800
6.5-7.5% pr	120	120	120	500
12% conv pr	105	106	105	8300
15% conv pr	62	62	62	25900
United Bldg	125	---	---	0
United Publishing, 50c	305	---	---	0
Vacation, 50c	93	94	93	5300
12% conv pr	75	75	75	300
12.5% conv pr	75	75	75	200
Visionhire,	130	131	130	25000
Waitaki-NZR	258	260	257	35000
11.5% conv pr	215	215	215	1300
Walker & Hall	460	---	.	0
Wattie, 50c	188	194	188	30500
12.5% conv pr	110	110	110	3900
16% conv pr	165	168	165	112800
Welgas	420	---	--	0
Westbridge	215	--	--	0
Wilkins & Davies	320	320	320	400
5.75-7.5% pr	65	65	65	2000
W Jeffery	155	155	155	1400
12% conv pr	140			0
Wilson & Horton	445	445	445	4400
Wilson Distillers	165	.		0
Wilson Neill	107	107	107	12000
12% conv pr	160	.		0
Winstone, 50c	73	73	70	209700
12% conv pr	55	55	55	11800
W Wills (NZ)	73			0
Wormald	330	330	330	[illegible]
5-7.5% pr	112			0
W Sutherland	110			0
Yates Corp	420	425	420	6100
12% conv pr	180	180	180	1100

Exchange rates

AS at September 10, NZ dollar sells at:

Britain	.4668	Italy	989.60
US	.8167	Japan	189.68
Canada	.9843	Malaysia	1.9146
Australia	.7170	Netherlands	2.1771
Fiji	.7210	New Caledonia and Tahiti	85.52
Austria	13.79	Norway	4.9010
Belgium	32.38	Pakistan	7.9537
China	1.4646	Portugal	53.35
Denmark	6.1743	Singapore	1.7565
France	4.7060	South Africa	.7731
Greece	47.96	Spain	79.39
Hong Kong	4.8740	Sweden	4.2565
India	7.4183	Switzerland	1.6982
Ireland	.5401	West Germany	1.9661
		Western Samoa	.8853

Resource development

Fletcher fishing row

From Page 1

not be looking at its procedures as a result of the complaint and he described himself as "quite relaxed" about the issue.

The Globe Export Fisheries spokesman maintained that any questioning of labelling procedures could jeopardise the country's fish-quality image abroad.

He said he hoped there would be "no whitewashing of the incident."

As the Government probe was carried out, Fishing Industry Board members were given a report on a trip to Australia by chairman Mark Hinchcliff and senior marketing official Russell Armitage.

Their mission: to investigate Australian complaints that deep-sea perch (orange roughy) caught by Fletsov trawlers are being dumped on the Australian market.

The board was reluctant to discuss the findings of the mission. But a spokesman said a state/Federal team of fishing officials would come to New Zealand later this month to discuss the situation.

Australian Primary Industry Minister Peter Nixon, in a statement issued during the board representatives' visit, said imports had risen sharply in Australia from 44 per cent of the domestic market two years ago to more than 55 per cent today.

While noting that a "high" proportion of deep-sea perch came from Russian and other foreign-based joint-venture vessels, Nixon said the local industry should become much more competitive.

Documents obtained by *NBR* last week, however, showed a deep concern among Australian fishermen.

The documents include a number of cables from New Zealand trade commission officers in Australia setting up the Hinchcliff/Armitage visit and reporting on the best way to arrange the Australian visit here late this month.

These cables show that Hinchcliff was interested in confining the debate within the industry, and not allowing it to spread into the political-bureaucratic arena.

One cable commented on a meeting between Hinchcliff and Queensland Fish Board officials: "Suggestion that the exporters of orange roughy get together and fix a price for Aust market at a level which will prevent disruption of market for Aust domestic product."

Also: "Point was taken that at current price level disruption is caused for coral trout, sweet lip — red emperor (upper price bracket for reef fish) and for mackeral — mullet at the lower end because of quality and presentation."

Two further comments from the Brisbane Trade Commission office cable were:

- "Qld fishing industry is in state of turmoil because of fragmentation and collapse of prawning industry as well as other matters, but NZ imports are admitted as being a convenient — obvious scapegoat."
- "Apparently Fletcher Challenge have already had discussions about prospects of export price-level-setting."

Another document is a letter to Australian Deputy Prime Minister Doug Anthony from Brisbane fishing industry consultant and fish merchant Noel Gallagher. A copy was sent to Nixon.

The "Dear Doug" letter clearly blames the Australian industry's problems on domestic circumstances rather than "dumping" of New Zealand fish.

Gallagher sent Anthony a copy of a report of minutes of a meeting between himself, New South Wales Fish Marketing Authority officials and a seafood trading company official in Brisbane on August 9.

Gallagher wrote the minutes, much of which are devoted to his comments on the state of the Australian industry — a state which, according to him, is more to blame for local circumstances than imports of deep sea perch from New Zealand.

At one point, Gallagher told the meeting: "The New Zealand fishing industry had a lot to thank Fletchers for in particular relation to the deep sea perch.

"Fletchers had insisted on a high standard of processing and grading and had moved an important fishery away from the old Kiwi style of just throwing fish into a carton, freezing it without too much quality control and expecting to find ready markets at the whim of the exporter."

Producer board mooted

by Ann Taylor

THE idea of a forestry producer board was mooted in the informal sessions of last week's Forestry Council conference.

Propagating the powers of the Forest Service into planning and research was rejected by industry representatives, some of whom would favour a producer board structure which would allow the industry to keep direct contact and control of forestry exports.

The industry strategy working party at the conference was required to comment on the establishment of a sector planning unit and marketing services structure recommended in the DFC forest industry study. The working party recommended that the Forestry Council be beefed up to accommodate planning and research for the sector and that the council appoint a permanent standing committee to steer the work of the planning unit.

Industry representatives on the working party were "against the idea of the Forest Service being responsible for sector planning . . . but recognised that the department . . . needed information on markets and products."

Forest Service sources indicated that they did not seek the role of planning and research and would welcome the idea of a producer board or joint marketing effort. "We'd certainly be interested in such a proposal. There is competition and quite a number of small operators here was one comment."

The most obvious problem is that companies have made contacts with individual buyers. If they passed that over to a marketing organisation those contacts and the personal approach would be lost.

Forest Products managing director Doug Walker said the suggestion "has been raised from time to time. It is well-meaning but is not practicable at the moment."

Overseas trade

Thai drug watch useful — now for other links

by Allan Parker

AS Thailand's Prime Minister, General Prem Tinsulanonda, jetted from New Zealand one recent Monday with a $20 million chicken processing deal tucked under his wing, he crossed flight paths with our (police) man in Bangkok returning from an anti-drug posting there.

The coincidental timing of Prem's departure from his first official visit to New Zealand and the return of Detective Inspector Brian Duncan to head the police's drug enforcement division at Wellington headquarters reflected the continuing liaison between the two nations over heroin trafficking.

And while there were no official talks between the Thai officials accompanying Prem and our anti-drug police, the commitment to a New Zealand liaison officer in Thailand remains, with Duncan's successor in his new post replacing him in the Golden Triangle.

Certainly, in the wake of the Mr Asia sensations, New Zealand police remain vigilant about trafficking of heroin into New Zealand from Asia.

Late last month, the prestigious *Wall Street Journal* told its readers that an early rainfall in the lush hills of northern Thailand signifies another perfect opium season this year.

The journal's readers were told by a retiring United States drug enforcement official that: "Our forecast is that the Golden Triangle (the poppy-growing areas on the Thai-Burmese-Laotian borders) will be the No 1 heroin producer for the test of the world in the next two years."

Said the report: "Europe, the US, Canada, Australia and New Zealand will soon be awash in Golden Triangle heroin and the addict population will rise accordingly . . ."

"Awash" is regarded by police here as, perhaps, a slight exaggeration.

Total Thai raw opium production this year wil be about 700 tonnes, or 700,000 kilos. New Zealand drug squad police reckon one kilo is a major importation. Their biggest seizure this year has been 57g.

So while vigilance is still needed, the scale of New Zealand heroin use is miniscule by international, particularly American, standards.

One senior drug squad officer said: "There's only so much they (the traffickers) can import here before they saturate the market and send their own prices down. They've only got a limited clientele. We're not all junkies."

Senior drug officials are predicting an increasing tendency towards the use of cocaine and LSD in New Zealand user-circles.

Cocaine is non-habit-forming and gives "sniffers" a sexual stimulus.

In the United States it has become something of a status symbol in chic circles, particularly the entertainment industry.

Local officials have noticed increasing use of cocaine, which retails for roughly the same price as heroin. Its attraction to traffickers thus remains high.

The street price is about $140 for 10g. A user would use about half a gramme at one "sniff".

Last year police seized 139g of cocaine, compared with 12.92g in 1979. In the first six months of this year, just over 50g has been seized by police.

Police officials also believe the same people responsible for heroin imports are now moving into cocaine trafficking.

They do not believe there are many, if any, drug syndicates operating now; rather, the importing appears to be the work of individuals.

The same applies to LSD. Seizures of the hallucinatory drug have jumped alarmingly in the past 18 months.

In 1979, police seized 5342 tabs of LSD. Last year, just over 24,000 tabs were seized. By June this year, police had already grabbed 17,337 tabs in just six months.

And, senior officials say, this is "only touching the surface". Wholesalers who pay $3 a tab can expect to get up to $8 on the street, so profits are enticing.

Heroin seizures, on the other hand, support theories that the addictive drug is becoming scarcer in New Zealand.

In 1979, 2107g was seized by police. Last year that dropped dramatically to just 219g. This year the figure has risen again, with 770g being seized up to June.

But police note that one seizure in Tauranga — from a Hong Kong seaman — accounted for 547g (more than 70 per cent) of the six-month total.

Cocaine and LSD trafficking is more difficult to police. Heroin comes all but exclusively from Asia and police and Customs officers are able to readily identify individuals making regular trips to the region.

But cocaine comes from South America and is usually shipped to Australia where couriers will pick it up for the New Zealand run.

LSD mainly comes from the United States and Australia. Again, it is difficult to isolate reasons for regular trips to those countries.

Local drug enforcement officials will hopefully be able to improve liaison with their counterparts in other countries in late October when New Zealand hosts a meeting of heads of narcotic enforcement agencies from the Far East region in Wellington. The four-day conference will attract up to 60 law enforcement officers from 23 countries, including the People's Republic of China.

The New Zealand-Thai police liaison has undoubtedly proved useful, although it would be stretching probability to suggest that the presence in Thailand of an official New Zealand representative involved in the industry that most embarrasses the host nation has helped forge closer links between the two.

But awareness of New Zealand is increasing, as Premier Prem's visit confirmed.

Although little hard news emerged from the visit, apart from the chicken-processing joint venture and news of a carpet-making proposal, Foreign Affairs officials regard it as another important element in our increasing diplomatic and trading links with the region.

In the international forum, the Thais are grateful for our support on the Indochina dispute between Vietnam and Kampuchea, which also involves the Communist giants.

In fact, the level of interest shown by the Thais in New Zealand has surprised some officials. The Prime Minister's visit followed just six months after a similar visit by the Thai Foreign Minister.

Said one official: "We're getting a very liberal share of Thai attention. The relationship is a really good one."

The official admitted that in the past New Zealand has not gone out of its way to focus on Thailand as an economic unit in the Asian scene, although we do have a full embassy in Bangkok.

But that could change, given Thailand's increasing interest in us, our growing trade with the region as a whole, the joint venture into chicken-processing and a hint from the visit that an air agreement may be forthcoming.

For example, recent trade figures show that Asia now accounts for some 27.5 per cent of our total trade, with Japan our top trading partner. As well, prospects for future trade into the region are very promising.

Thailand is an integral part of the area, particularly as a member of the five-state Association of South-east Asian Nations (ASEAN).

As well, it appears poised now to participate fully in the remarkable economic development that has transformed much of the region over the last two decades.

Japan, Korea, Taiwan and Singapore have performed economic miracles. Malaysia is beginning to edge up the same development ladder. And, according to one ministry official, Thailand now appears ready to get a foothold on the ladder.

It can only be in New Zealand's interests to get a similar foothold into the Thai economy at this stage.

One area in which useful links could be developed is energy exploitation. Just two weeks before Prem arrived in Auckland, natural gas from the gulf of Thailand began flowing to two power stations in Bangkok.

Like New Zealand, the gas is a critical element in the country's development plans. Thailand and New Zealand both rely heavily (in Thailand's case almost exclusively) on imported fuel. Both are investigating energy development for fuel and feedstock uses in downstream industries.

The Thai party asked the Ministry of Energy for information about our own plans and experiences with the Maui field. At this stage, however, the interest in more towards sharing experiences rather than firm joint development proposals.

The Thais have also been impressed by New Zealand participation in geothermal development in the Philippines and asked about exploitation of a geothermal field of their own.

But the Thai field proved too small and too cool for economic electricity production.

While that idea ran out of steam, others will undoubtedly fire the imagination as contact increases.

ELECTION WATCH '81

See Pages 21-22

Business

Analysing annual accounts: Airwork NZ Ltd

by Klaus Sorensen

AIRWORK NZ Ltd is the sort of company that makes you wonder why anyone would want to invest in it.

No offence, mind you, it's just that the risks of investment in aviation rarely seem to justify the rewards.

Companies like Airwork are reliant on the fortunes of the agricultural industry for the successful operation of their topdressing activities, and their sales of new aircraft with a high capital cost, are very reliant on a buoyant economy.

Apart from that, there is a greater risk of crashes, involving topdressing aircraft and helicopters, because of the particular nature of this branch of aviation.

Airwork and companies like it just don't seem to have many attractions — apart from any third-level airline aspirations they might be nurturing.

The latest March 31 1981 Airwork annual report does little to dispel the preconceptions about the company. Its economically presented rundown on the year gives the impression that aviators are men of few words — even Airworks auditors seem more communicative.

The company has just come through one of its worst trading periods, the dividend has been cut, and prospects for the current year appear uncertain. The directors are less than forthcoming on the degree of recovery (if any) that shareholders can expect this year.

But in places the company has provided a surprisingly good level of disclosure — even if it leaves shareholders in the dark in others.

The point is that someone thinks Airwork is a good investment — namely Brierley Investments and one A Hubbard of Timaru who have both bought 20 per cent of the shareholdings — and the rest of the shareholders should be asking the question: why?

Brierley, in its typical fashion, isn't telling anyone (at least publicly) what its intentions are towards Airwork, and the aviation industry in general.

Since A Hubbard is presumably a private investor, there is no pressure on him to tell the world why he bought 20 per cent of Airwork. So that leaves the company itself.

In view of the recent trading loss, the reorganisation of company activities, and the absence of any apparent attractions in the asset backing department, the directors of Airwork should tell shareholders what their theories are on the sudden investment interest in the company.

But as it is, the Airwork directors seem to feel shareholders will be sufficiently satisfied with the knowledge that relations between the new investors and the existing interests appear cordial enough, and that it was Airwork who invited the two new shareholders to nominate board representatives.

Some Airwork shareholders may recall Brierley Investments Ltd has previously shown an interest in aviation — it built up a shareholding in the formerly listed James Aviation and tried to take the company over.

Brierley's initial stake appeared to unnerve the controlling interests of James, and a private company was set up which made a takeover bid for James. When Brierley saw it could not succeed with its bid, it sold out and presumably invested its profit from the James transaction in Airwork.

Though their fortunes have been stable in the last four years, the aviation companies have tended to demonstrate a rather cyclical earnings pattern over a longer term.

The question which this raises is whether the directors of a company such as Airwork are primarily responsible for ensuring that shareholders' dividends are paid regularly and exhibit satisfactory growth, or whether their primary responsibility is to operate as successfully as possible in the industry they find themselves.

To achieve the former end, companies like Airwork would have to restructure and diversify into other more stable earning areas, while in the latter scenario it would be up to the shareholders to take the consequences of any fluctuations in the company's trading.

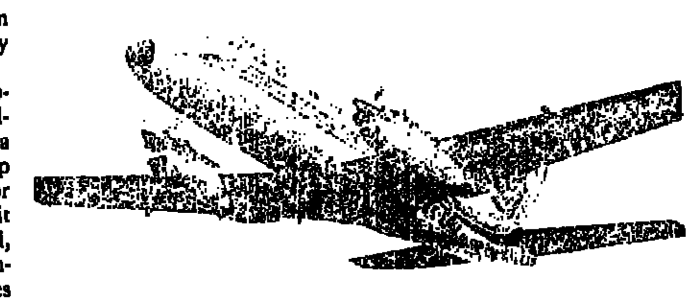
Airwork doesn't appear to be about to rush into investment in any unrelated areas, but it does seem to recognise the need for more stability in earnings.

Chairman John Brazier explains in his review that the company has moved to restructure its topdressing operation by setting up a new company in which Airwork will hold a 25 per cent equity.

As reported, Airwork's net loss for the March 31, 1981 year was $225,182, and the dividend for the year was reduced from 15 per cent to 10 per cent.

Brazier says a number of external factors combined to cause "a further downturn in aviation activities, thus causing the very difficult trading conditions leading to the loss of profitability."

The most significant was the increase in the price of aviation fuel to 84 cents a litre, the collapse of the helicopter meat recovery programme and a further reduction in aerial topdressing, coupled with the growth of co-operative units.



"These changes have been reflected in lower material and spares sales, an almost complete cessation of helicopter component overhaul work and a big reduction in engine overhauls, the latter made worse in this year by an extension of allowed engine life between overhaul for the Lycoming 400 hp engine.

"In recognising that no early change can be expected in these trading conditions a number of steps have already been taken to improve profitability. A major step has been the restructuring of our topdressing division by the establishment with effect from August 1, 1981 of a new company, Airwork Agricultural Aviation Ltd, in equal partnership with three other organisations, to provide a combined strength which we are confident can meet the challenges which today confront the topdressing industry."

The bulk of the loss seems to have come from the servicing and engineering division, judging by Brazier's account.

"For the first time in Airwork's history of over 40 years our aviation engineering department failed to be profitable. This was caused by the decrease in flying as a result of the increase in fuel prices and the collapse of the helicopter industry meat recovery market which in some cases reduced the flying hours by 60 per cent."

The profit and loss account gives a good breakdown of both sales and costs and expenses.

Total sales were up 19.3 per cent, from $7.5 million to $8.9 million (though these figures include inter-company sales of $1.1 million and $995,000 respectively), which includes a 9 per cent fall in engineering services and sales, from $4.7 million to $4.2 million, and an almost doubled turnover from aircraft sales and operations, from $2 million to $3.9 million.

The cost of sales rose 27.3 per cent, from $7.3 million to $9.3 million — resulting in a pre-tax loss of $279,484.

Included in the cost of sales was a 41 per cent increase in imports of aircraft and spares, from $2.8 million to $3.9 million (presumably relating to the doubled aircraft sales and operations figure).

The other major increases in costs were wages, salaries and superannuation, up from $1.5 million to $1.7 million, and interest on fixed loans, which was doubled at $231,645 ($122,908).

The balance sheet shows a fall in shareholders' funds from $1.4 million to $1.2 million. Term liabilities were up, from $1.1 million to $2.1 million, after a big increase in unsecured advances, of which total liabilities due after one year amounted to $1 million, compared with $597,000 in 1980.

Total current liabilities were up from $2.5 million to $3.1 million, including an increase in trade creditors and accrued charges, from $770,000 to $1 million.

The main criticism of the report is that there are no details on the company's subsidiaries, their activities, number of planes owned, what they are engaged in, and how many aircraft the company sold during the year.

The auditors have tagged the accounts because of the inclusion of inter-company sales in the total sales figure.

Meat deal to Syria lost

by Warren Berryman

NEW Zealand has lost to Uruguay a 2000-tonne $4.3 million sheep meat tender to Syria.

Mathias Meats bid for the Syrian contract but the Uruguayans won the tender with a price $200 a tonne less than ours.

Some months ago Mathias acted for the Meat Marketing Corporation to bid in Syria. The corporation was reluctant to post the bonds required by the Syrians and the contract went to Australia. It is understood that Australia failed to supply.

This time Mathias went into the Syrian market on its own. Its tender price was rather high, because the mixed grades of lamb required are in short supply here at this time of the season.

ELECTION WATCH '81

Political advertising

Selling their wares — to the wary and the weary

by Grev Wiggs

IT seems reasonable to assert that the principles which apply to all commercial advertising should, in the main, hold good with party political advertising. Yet, looking at the spring flush of electioneering advertising, it is difficult to see the parallel.

What is the target audience for any political party?

Obviously, affiliates of opposing parties, deeply involved and loyal to the core, are not going to be affected by any advertising rhetoric except their own.

And, though devoted supporters may get a charge from their own party's declarations, they are not going to produce one additional vote.

So the swingers and the "don't knows" must be the principal target group. And they, too, are divided into demographic segments.

It is hard to see in the early political advertising much evidence of messages directed to specific targets. It may follow at a later phase.

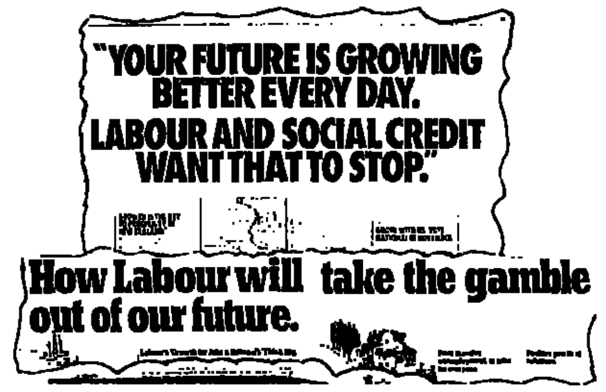
Currently we are seeing a broad scatter-gun attack, except for a National Party ad, referred to later, where the geography of newspaper circulation has been used to portray the regional candidates.

It has been a strongly held tenet of advertising and selling that it never pays to knock your competitor. It is even barred in commercial advertising by rigid codes of practice.

The argument goes that if you feel it necessary to disparage your rival, then perhaps your own case isn't as good as it might be. By knocking him you advertise him and demonstrate his importance. You spend time and space and money abusing him when you could have been using those resources to promote your own cause.

But political advertising seems largely to consist of a party punch-up.

Why is knocking copy such an important component of electioneering advertising? If it's not helpful in selling commodities why should it be effective with political ideas?



"National's mess. Labour's answer," screams the Labour Party headline.

"Your future is growing better every day. Labour and Social Credit want that to stop," the National Party declaims in big, black caps.

Which brings us to another copy-writing doctrine . . . the need for credibility.

If you can't accept the advertising claim, if it challenges your beliefs or your common sense, then it will be rejected.

Take the National Party headline above. It literally means that Labour and Social Credit want to stop your future growing better. Is it credible? Does it even make sense?

In the Labour Party copy we find the flat assertion, "Labour will restore full employment." Full employment means that everyone who wants to work will have a job.

Full employment is not "training" or "assistance with job-hunting". So Labour is promising what no other government in the world has been able to achieve. Is it believable?

National copy promises, "development of our natural energy resources hand-in-hand with expansion of our traditional farming industries will provide growth which is essential to our future well-being."

Labour copy condemns. "As a direct result of National's neglect, more and more towns are withering as scores of factories are closing and thousands of jobs are permanently lost."

Are they talking about the same country?

The only Social Credit ad we've seen lately predictably deals with the current handling of finances.

In an ad addressed to farmers it asks, "What's so great about a system that puts the earnings of primary industries in permanent hock to financial interests that New Zealand can't or won't control?"

But the main thrust of the ad is to invite coupon response for the selling of the league's political booklets. It's a good trick if you can persuade the electorate to buy your party propaganda.

It would seem that, up till now, no party has been successful in making its overall policy as clear or acceptable as it would like.

So there is need for a plain spell-out of policy in the form of advertising.

It isn't possible, even in full pages, to sell a complete political manifesto. But if space were devoted primarily to party policy, advertising could present the appropriate messages to the selected target groups in a progressive manner.

There are a lot of us out here who really want to know. So let's have the facts without the fury.

The old quip still stands. "The customer is not a moron. It's your wife. Or your husband."

Admark

The pursuit of pleasure

by Grev Wiggs

THE *Evening Post* headline was specific. "PM blames TV for youth's 'hedonistic world'."

The lead-in read, "Young people are being invited by advertising into a hedonistic world, according to the Prime Minister, Mr Muldoon."

It looked like the sort of roundhouse swing at advertising that would raise the hackles of any macho advertising man.

But what did the Prime Minister really say?

"We see and hear commercial blandishments aimed at young people, and not too subtly at that; they are sort of being invited into a hedonistic world where there is no mention of the future, only of the allures of the present. I do not wonder that so many of them are confused, misguided, misled and getting into all sorts of trouble which, like all bad news, makes the headlines."

He then went on to refer to the great majority of youth who were going quietly about their ways studying or taking the first steps in their careers.

Later in the speech, made at the opening of new headquarters of the Wellington Youth for Christ movement, he referred to a decline in moral standards among a minority of young folk and blamed the pressures they had been subjected to.

"I refer to violence on television and in motion pictures, the moral standards and language of some plays and films in which abnormal behaviour is presented as being the norm; the anarchist lyrics of some types of rock music and the flagrantly suggestive nature of some cinema advertisements."

In a final reference to advertising he said, "Youth is subject to the enticements of liquor and cigarette advertising but young people do not brew or sell liquor, or grow tobacco.

"I do not object to the freedom to advertise liquor or tobacco; I just think such messages as advertising tries to convey should be directed at the adult world where people have, or should have, mature judgment and be able to weigh the pros and cons of indulgence and make up their own minds.

We asked the president of the Association of Accredited Advertising Agencies, Jim Belich, to comment on the reported speech.

"The Prime Minister's speech notes show that Mr Muldoon didn't actually blame television — the headline was somewhat misleading," said Belich. "He blamed the violence of programmes on TV and motion pictures.

"I tend to agree though many of society's ills are much more complex and deeper than merely our mass media or even violence in programmes.

"The Prime Minister's reference to 'commercial blandishments' is wider than merely advertising, perhaps even wide enough to encompass 'political' and other blandishments.

"There can be argument as to the social value of this or that product or service; this is determined not by advertising but by society as a whole."

As in many spheres advertising is not immune to extremes and excesses, Belich conceded, but a careful examination would show that the ratio of "warts" in advertising is much lower than in many other professions and industries though more highly visible.

"The standards and rules which apply in advertising — largely self-imposed and voluntary — are quite stringent. In addition to copious legislation and regulation, the advertising industry has imposed on itself a set of standards and codes of practice. I do believe we try as hard as any industry to stay within generally accepted social norms."

Other advertising men responded to the implications of the phrase "commercial blandishments".

"I don't agree that advertising presents a hedonistic world," said Campaign Advertising partner Terry Christie. "Materialistic, if you like, but isn't that what capitalism is all about? Advertising is a mirror of society. It follows trends, not sets them."

Gurney Nagle Advertising's Ken Gurney made the point that agencies are highly responsible people with a duty to both client and public. Advertising is directed to specific target audiences. "I can't think of any liquor or cigarette advertising that offends in the direction indicated."

Ogilvy & Mather's chairman, Mike Robinson, pointed out that the advertising industry is extremely well regulated in terms of its own self-discipline. "The codes governing liquor and tobacco advertising exclude the possibility of exploiting young people," he said.

"I also believe that advertising encourages young people into the mainstream of society by establishing goals and rewards which are obtainable by hard work," he added.

The violence shown on television and cinema and its effect on young children is not an appropriate subject for comment by this column.

We merely include a quotation from the book *Children and Screen Violence* (University of Queensland Press) by Dr Patricia Edgar, senior lecturer and foundation chairperson at the Centre for the Study of Educational Communication and Media in the School of Education at La Trobe University.

After conducting research on hundreds of Australian children she concludes:

"In the study reported in this book, I found that the children in the sample made more sophisticated discriminations about mass media content than many people assume children are capable of. It was clear that violence *per se* was not disturbing to children. They interpreted violence within the accepted conventions of the genre of each film.

"It was clear that each individual's perceptions of film and television content depended upon that individual's unique experience and view of the world.

"It was clear that the children saw and interpreted content differently from the adult viewers who were involved in the study. Different things assumed importance for both groups.

"The research indicates we need to study the things children say are disturbing to them, not what we as adults think will be disturbing to children. Children have a perspective that is often surprisingly different."

The adze column

by Grev Wiggs

THE Cossack brand of men's toiletries is certainly not one of the up-market ranges. But when, even in fun, you associate its use with a convict, what does that do for the product image? In TV-land, does guilt by association apply?

* * *

NOTHING to do with the tour. But it is mildly irritating to find in a South African Airways ad in *Readers Digest* ("15th year in New Zealand") references such as a dinner costing "about two thirds Australian prices" and "weather as mild as an Australian spring".

We thought only the Americans believed that New Zealand was an Australian appurtenance.

* * *

IN the same issue, a deft timing device. Three consecutive right-hand pages for Penfolds Wines in the same week as the prospectus was launched.

The Penfolds news story that broke the same week provided a challenge to the good reports the issue originally received. It will be interesting to observe the company's PR handling of the contretemps.

Corporate strategies

How Grand Met keeps clinching fast deals

by Richard Lambert

GRAND Metropolitan, a multi-million British consumer and leisure group, has just snapped up Pan Am's Intercontinental hotel chain subsidiaries — in a deal clinched before potential rival bidders knew the hotels were on offer.

Stanley Grinstead, managing-director of Grand Metropolitan, was contacted early in July by a middleman who offered to set up a meeting with the top management of Pan American World Airways. It seemed like a good idea.

Sometime in the spring, the British group had started to think about the implications of the financial crisis in the world's airline business. With the help of a United States investment bank, it had made a study to determine which airline might be willing — or forced — to sell off potentially attractive assets.

As a result, Grinstead flew to the United States on July 9 and told Pan Am that Grand Metropolitan could be interested in buying its Intercontinental Hotels subsidiary. Pan Am replied that it was not for sale, but agreed to make information available about the business.

After some delay, these details reached London on Tuesday August 11. And on the following Saturday, Grinstead was back on a plane to the United States, along with finance director Michael Orr and assistant managing director Clifford Smith.

It was intended to be a brief meeting. Orr left his car in the short stay carpark and is now, according to Grinstead, trying to work out whether its value is greater than the parking charge.

But the talks dragged on. Late on the Sunday evening, Grinstead made an offer for Intercontinental to Pan Am's chairman. This was accepted subject to ratification at a board meeting which was eventually held late in August.

So the British company had made a firm bid two days before Pan Am publicly announced that it was planning to sell the hotels as part of a deal with its bankers to provide some badly needed financial breathing space. US reports indicate that a queue of rival bidders has been left stranded at the starting gate.

While other potential bidders were just beginning to think about the numbers Grand Metropolitan was already completing details of the final contract, which was to be signed immediately after the Pan Am board meeting.

"We were there before anyone else and able to put a bid on the table at the right time," says Grinstead. The fact that its offer could, with luck, be completed by the middle of the month was obviously important to the badly pressed American sellers.

It also helped that Grand Metropolitan was a foreign company. Pan Am could not afford to get snarled up in any of the anti-trust problems which might have followed a bid from a United States company.

Even so, the board meeting lasted over five hours and did not finish till after 7pm New York time. Contracts were exchanged and three hours later the British executives were back on a plane.

This kind of fast-footed seizing of opportunities is typical of a group which has been buying other people's businesses for 20 years and more. More than a decade ago, for instance, it launched a bid out of the blue for Express Dairies within 24 hours of learning that it might be available.

But what is really remarkable about Grand Metropolitan is the continuing pace of its expansion. Whereas many entrepreneurial businesses tend to lose momentum when they reach comfortable middle age, this one just keeps on running.

Although its annual sales last year exceeded $NZ5000 million and its profits this year might near $400 million, before tax, the group still wants to get bigger.

What is unusual, too, is the fact that it has maintained a respectable return on capital employed. This is in marked contrast with many of the acquisitive companies with which it used to be compared in the high-flying days of the early 1970s.

One explanation lies in its choice of takeover candidates. It has specialised in leisure and consumer product businesses with a strong property base, and has largely avoided the pitfalls both of heavy manufacturing in Britain and of dealing in purely financial assets.

If anything, the pace of acquisitions has hotted up during the last 18 months or so.

Within that period, the group has paid nearly $600 million for Liggett, the American drinks, tobacco and pet foods business.

Other deals have included acquiring control of London's Palm Beach casino; buying Warner Holidays and a fast-food business in London; an investment in the North Sea and another in Biogen, a biotechnology company.

There seem to be three main reasons for this latest bid. In the first place, Intercontinental Hotels Corporation is seen to be an attractive and well managed business in its own right.

Second, the diversification of Grand Metropolitan has from the first been built around a solid core of hotels and catering companies.

The third, and from Grand Metropolitan's point of view the most important feature of the hotel chain, is that it was available. Although the opportunity came soon after the first major step into the United States through the Liggett acquisition, it was the kind of deal which the British group just could not resist.

In financial terms, the bid will have a significant impact on Grand Metropolitan's balance sheet. Grinstead says that the net asset value of the hotels is significantly understated in Pan Am's books at $US116.4 million.

But although he is planning a revaluation of the six wholly owned properties, and will consider having formal valuation made of Intercontinental's management and lease arrangements, it is clear that the purchase price will still include a substantial amount for goodwill.

The acquisition will be financed through bank borrowings, which in turn will push the group's gearing ratios up to quite a high level.

Orr puts the scale of the bid into perspective by pointing out that the group's spending on fixed assets alone this year is approaching $450 million. And Grand Metropolitan has for some time been considering the idea of selling off some of its second line business both in Britain and the United States.

But Grand Metropolitan has raised more than $200 million in new equity during the last six years to fuel its growth ambitions, and the City is betting that sooner or later it will be back for more.

GRAND Metropolitan has interests in New Zealand through a subsidiary, International Distillers and Vinters (IDV).

IDV has a one-third interest with Lion and Tooheys Castlemain in 18 hotels formerly owned by the Challenge Corporation.

Another Grand Metropolitan subsidiary, Britain's Express Dairies, wants to use this country's dairying expertise particularly in making cream-based liqueurs. It hopes to use whey-based alcohol to make a range of liqueurs here under licence, link into a worldwide marketing network, and benefit from our export incentives.

The Intercontinental Hotel chain was a wholly-owned subsidiary of Pan Am. Pan Am has a majority shareholding and operates the 60 to 70 hotels world wide.

Some of the hotels were owned outright, some owned in part, some franchised out.

Auckland's Hotel Intercontinental, owned by Intercontinental Properties Ltd, is run by Vacation Hotels. Pan Am markets the hotel internationally and allows it to use its intercommunications networks throughout the world.

Pan Am originally had a large shareholding in the Hotel Intercontinental, but now has only a small share.

Taxation

The 1981 Budget — a look at some of the fine print

THE 1981 Budget surfaced on July 9 but has since become submerged by other events. It has been called many things — a document for our times; a Claytons Budget — the sort you are having when you are not having one; an airport Budget — written between flights.

You can take your pick and your definition will depend on your point of view. It is not my intention to disclose my views or attempt to alter yours. The aim is to provide a brief background review with particular emphasis on the taxation aspects.

The basic purpose of any Budget is to plot the path ahead for the party in power showing many but not all of the steps along the way. It used to set out the year's financial targets in full detail but this has long since changed and perhaps it is more exciting to have some surprises in store.

There are some basic conflicts of expectations surrounding the Budget, with different community groups looking for either increased expenditure in their area or extra tax saving measures.

Whatever their different wishes, all taxpayers agree on one point; taxation is too high and must come down. For many and perhaps most in the community there was little in the Budget by way of tax relief and smokers and drinkers have found they are now contributing more to tax revenue.

While all may agree they want to pay less in tax, no one seems prepared to give up the benefits which they gain from Government expenditure. They argue about the size of their slice of the national cake rather than how to increase the size of the whole cake so all can have more.

> This article was specially written for National Business Review by David Underwood, a member of the taxation committee of the New Zealand Society of Accountants. Underwood — and, from time to time, other nominees of the Society of Accountants — will provide a regular column for the advice of NBR readers.
>
> The society has undertaken to have its experts examine any query by readers of matters raised in these columns.

It should be possible to achieve this and tax reform at the same time. We all have our pet ideas on how it can be done and perhaps we should send them to the Income Tax Review Committee. But back to the Budget.

International trade has always been a major element of New Zealand's economy. The changes in our trading patterns in recent years plus the high price increases in basic raw commodities which we have to import have made the development and aggressive marketing of our exports all the more important.

That we must export more is disputed by none but what is debated is how it should be achieved and what role should be played by tax incentives.

Export tax incentives have been an important element in the development of our manufactured exports in the past several years and they have also provided a domestic benefit by encouraging local manufacturers to expand their businesses and employ more New Zealand labour.

Thus it was of major concern, in my opinion, that the Budget had no mention of an extension to the present export tax incentive schemes beyond their present expiry date of March 31 1985, while other tax incentive schemes were specifically mentioned and where necessary extended.

More recently Deputy Finance Minister Hugh Templeton has hinted that the export incentive scheme may in fact not be extended beyond 1985. This must leave the manufacturing industry in a state of uncertainty and hinder new developments.

As I said, other measures were covered and the Budget made specific reference to the forest industry. The Government has undertaken to carry out a searching review of the incentives and taxation concessions available to them. The Budget says "while the existing incentives have undoubtedly helped to develop a strong platform for forestry exports, we shall consider whether assistance at its current level for the major units can continue to be justified."

Loans for energy conservation, extension of farm incentives, fishing incentives, regional and industrial development allowances were all referred to and extended for a further year but there was no extension of the export incentive date.

Export assistance comes in many and varied forms and will be the subject of a separate article. Needless to say all manufacturers and producers should consider the possibility of exporting and I suggest you check with your accountant to see what exporting can do for New Zealand while doing something for yourself. It can be an excellent example of "doing well by doing good".

Land Tax — There were some changes here which should produce an increase in taxation of approximately $21 million. If your business land has a Government valuation in excess of $175,000 then this will interest you. I suggest you check on your last rate demand as it should show the Government valuation of the land and you will then be able to check your total holding. Remember though it is only the Government valuation of the land that counts, not the improvements.

Mortgage Interest — This concession may be of interest to you and it is bound to be of interest to some of your employees. It is designed as an end-of-year adjustment but anyone qualifying will be able to get a special tax code from the Inland Revenue Department. The incentive does not come into effect until the necessary Finance Amendment Act has been through Parliament so it may be some weeks before you can approach the department.

Homeownership savings schemes — These provide a worthwhile incentive and subsidy for first homeowners and should be brought to the attention of all likely beneficiaries on your staff. The terms have been altered in the Budget and what has to be considered is whether the benefits available through delaying a purchase are offset by the increased cost of the house. That answer will vary depending on the individual circumstances.

Public Accounts — The overall deficit in the public accounts has increased from $1027 million in 1979/80 in approximately $500 million stages to $2090 million for the 1981/82 forecast. I presume the actual deficit this year will be in line with the forecast which has effectively doubled in two years. This is good or bad depending on your viewpoint but whatever view it is an essential forecast for the country, which too many businesses do not bother to do for their own organisations.

I suggest you compare your personal or business finances over the same period. How about asking some searching questions about your sales, stock, expenses, profits, creditors, debtors, overdraft, working capital and, not the least, your future prospects.

I mentioned earlier that the Budget outlined the path ahead with not all the steps sketched in. Since Budget night the picture has become clearer by changes in the price of petrol, changes in the price of LPG and the appointment of the McCaw Task Force on tax reform with a brief for an interim report on December 7 and a final report by April 1982.

Rob Muldoon, as Minister of Finance, left us with a hint or two that he may make some further changes in tax structures before the year's end and there would certainly be scope for adjustments.

They might provide perhaps a higher rates relief deduction or an improved interest and dividend rebate. Who knows, but as a country we certainly need to increase savings and a tax reduction would be less inflationary than a wage increase.

We also still have the Government's supplementary estimates to come and they can be expected to add to the Government's deficit rather than decrease it. Deficit spending can be justified but it is inflationary and inflation is public enemy number one right now.

If you have not already done so you should be checking to determine what effect a continuing and increasing rate of inflation will have on your business.

Taxation

Recording industry makes play for Govt's ear on tax

by Peter Isaac
and Richard Fletcher

THE Recording Industry Association is making a concerted, and perhaps final, effort to make its message music to the Government's ears. It wants the 40 per cent sales tax on the wholesale price of records abolished.

The association, which acts for all the recording companies, can at last hit the high notes it has always sought during its long six-year campaign: New Zealand manned bands making the chart action where it really counts — overseas.

With Split Enz figuring in both the United States and British charts and Mi-Sex just a few decibels behind, the recording association is optimistic.

These bands are contracted to Australian companies. Split Enz is contracted to Australian Mushroom Records. Virtually none of their success on the stages of the world returns to New Zealand. The $3 million royalties of such expatriate Kiwis lodge in Australia.

The recording industry here wants to be in a position where it can use its own resources to finance these groups around the world at a time when Australasia seems to have been discovered musically in the northern hemisphere.

The problem now is that the recording industry here is not really a "recording" industry at all. Rather, it is a promotional and distribution industry. Its share here of New Zealand recordings is only 15 per cent. This becomes significant when you consider that New Zealand's current account for annual overseas royalty payments is some $8 million — a huge invisible import, in effect.

The other slightly less clear cut message from the recording industry is on the quotas issue. Australia is a haven for local production because of laws which insist that 30 per cent of airtime is given over to local music.

Local warblers are given no such encouragement and must compete with the rest of the world. They are at the mercy of the charity of local programme managers who are fearful of losing ratings by confronting listeners with home-grown recordings.

The 40 per cent sales tax was imposed by the last Labour Government. After some early enthusiasms on total abolition the Labour Party has become rather hard to pin down on its policy.

The trouble arose for the recording industry when it appeared to go underground as far as New Zealand recordings were concerned following the end of the Loxene Golden Disc era in the late 1960s.

The recording companies continued to record local material, especially ethnic and special interest music at the rate of one new disc every two or three days.

But the absence of local stars in the Shane mould, for example, indicated that the industry had given up on local recordings. So the industry was slapped with what amounts to a penalty tax for too much importing — and too little local development.

Now, of course, the industry runs into another problem — the Government's avowed policy of boosting indirect taxation as it whittles the top off PAYE.

Basically, the recording companies want the same privileges enjoyed by the film industry. No tax — and plenty of help. "At the moment," grumbles Recording Industry Association chief executive Fred Smith "all we get is hindrance."

The association has released a "Strategy for Development", spelling out the industry's "no-growth" revenue situation, now LP prices have just broken $10.

But development within the industry has been steady with more than 20 independent record labels. Many of them are small operations, with distribution agreements with the larger companies.

One with four singles in the top 50 at the same time, competing with overseas productions, is Simon Grigg's Propeller Records. It has sold 1500 copies of one single, which has topped the charts, half the number needed to break even on production costs.

Currently Propeller and Festival Records, its distributing agent, are putting out feelers for overseas release, in Britain or Australia.

Propeller, like many of the small labels, is run on a shoestring. Grigg said his main income came from managing a band and others running smaller labels regard it as more a hobby than a business.

Some have produced LPs, and some of the major companies have gone into LP production aimed at the export market. Polygram is believed to have spent a substantial sum on producing one LP primarily for the overseas market. Stewart Rubin, of Polygram, said his company's local strategy was to spend a proportion of earnings on local talent and had facilities to record up to an international standard.

In the past five years, Rubin said, Polygram had not come up with an act that could compete with Australian acts (possibly because many migrate to Australia to try their luck), but he thought Dave McCartney's new album would. McCartney has had one promotion tour in Australia and the full band planned a tour later this year.

New Zealand recording companies claim that to get the local product on radio station playlists here still requires gimmicks, such as getting as many of the artist's friends as possible to buy the record — local charts are based on local retail sales — so the stations will notice it. Other ploys include capitalising on a band's following in local night clubs or pubs, and getting film clips made for one of the local television pop programmes.

But the biggest burden is tax.

The case for mining: not just eyesores for eyesores' sake, but consideration for the risks involved

by Warren Berryman

THE Mining Amendment Bill threatens to abort the biggest exploration boom this country has seen since the gold rushes.

It proposes to remove the prospector's automatic right to mine the ore body he has risked millions of dollars to find.

Government and environmentalists seem unconcerned that the automatic right to mine entails a sanctity of contract — a concept on which all business is based and the keystone of high-risk investment.

It's not surprising that New Zealanders should miss this point. The principles of venture capital investment in mining, oil exploration, inventions or leading-edge technology remain as foreign to our accountancy-dominated minds as the dark side of the moon. Our investors usually demand and get security and balance sheets outlining guaranteed future earnings.

If the original calculations were wrong, and the company big and powerful enough, Government can be relied on to come to the rescue with protection or a bail out.

The mineral exploration game is different. If no economic ore body is found, all is lost. There are no bail-outs or subsidies, no second prizes.

The risks are inordinately high. Thus the potential rewards must be high to attract risk capital. And the capital venturers must be reasonably secure in the knowledge they can collect their winnings if they hit the jackpot. Otherwise they won't play the game.

Prospectors invested millions under the rules laid out in the Mining Act. Now they hear the Governmental croupier saying "if you win maybe you can pick up the money, maybe not."

To those companies Government rule changes must seem a breach of contract — *un coup de dishonneur*.

Even worse, the decision to let you mine or not will be largely made at the local level where your most ardent enemies are concentrated, not at the national level where your proposed mine can be assessed in terms of the national interest.

There is mounting evidence that the Mining Amendment Bill will tip the balance against exploration investment in New Zealand. Trusting a government to honour its contracts is a big factor in mining investment decisions, to be weighed against the potential of a mineral find. And New Zealand is not considered such a hot prospect except that it is under-explored.

Some prospectors are calling Energy Minister Bill Birch the "Eric Holland of the mining industry". Holland breached the Government's contract with the oil explorers with his $3-a-barrel oil levy and killed oil exploration for four years — time enough for Birch to erase Holland's measures and reintroduce some semblance of sanctity of contract.

Now the miners are under the same threat as the oil explorers were in 1976.

But there is a difference. Former Energy Minister Holland was guided by bureaucrats. Birch's Mines Department is staffed by men who have worked in the industry they administer. Many of them have worked underground, where the comraderie and interdependence binds men as it binds old soldiers.

Not surprisingly, the environmentalists see miners and department as one and Birch as a vulnerable political animal.

Election-year politicking, hyperbole, misinformation and emotion have obscured the fundamental differences in attitude of mind between the prospectors and their opponents.

The debate has yet to answer the prime question: Do prospectors really want to destroy the mountains and hills in which they choose to spend much of their working lives? If so, why?

Some 11 years ago, as a geophysical exploration crew chief, I worked near Crested Butte, Colorado.

We were working atop the Red Lady, a beautiful mountain complete with pine-fringed glacial lake. Our target was a molybdenum deposit.

In the clear air of the Rockies our target was obvious to any prospector within 20 miles. A huge mineralised plug, forming a soft core to the mountain, had been weathered away leaving a big saddle on top and a tell-tale mineralised stain down the mountain's flanks.

More recently, Amax decided to turn the Red Lady into one of the world's biggest molybdenum mines — and provoked an environmental storm that reached national proportions.

Crested Butte has much in common with Coromandel. As a poor man's Aspen, the town attracted the ski-bums as Coromandel has attracted artisans in search of an alternate life style, beauty, and peace away from the madding crowd.

Crested Butte was a mining town — unusual in that it had hard rock minerals such as silver, molybdenum, and copper, as well as enough coal to earn the name Pittsburgh of the West. But the mines played out, leaving only a handful of old-timers to keep the town from becoming a ghost.

The ski-bums — not bums, really, but young professionals who had made their pile in New York, Chicago, or Detroit and wanted to opt out of the rat race — came and stayed. They took over the town.

Town council meetings convened around the wood stove in the Forest Queen Hotel, where it was decided to keep the wild west board walks, and make sure the pot holes remained in the road to slow down traffic.

The old miners and the young newcomers got on like a house on fire. It was as if history's cycle had thrown the two together to recreate Normon Rockwell's America — an era of communal feeling and old-style values, beer ball games and a Fourth of July parade with banners and bunting and the whole town joined in.

Crested Butte was a fantastic place. I loved it. But we were looking for a mine. And the town hated us.

As they saw it, if successful, we would bring in rough miners, bar-room brawls, big money, whores, dirt, noise, heavy machinery, and wreck the backdrop to their paradise. They were probably right.

We, in our tramping boots, resented the soft townies with their Wordsworthian prattle about the holistic nature they had never walked in, much less fought and conquered. Like Melville's Ahab, we figured we had braved the elements and had a right to kill their Moby Dick — the Red Lady.

The rights, the wrongs, of this fundamental argument may never be decided in rational debate. Some men want to conquer nature, others are content to enjoy it as it is. I am torn between the two. So, perhaps, are all miners and prospectors.

The prospector must enjoy his element or he wouldn't be in it. The exploration game is tough physically, and tough on wives and marriages. The prospector is like the Southland farmer, the fisherman, the mountaineer, the lover. He loves the challenge, but wants to win all the same.

The anti-mining protest in Coromandel is a carbon copy of Crested Butte — bright young newcomers take over an old mining town and do their utmost to prevent mining.

The members of the anti-mining lobby I met in Coromandel were all professional men who had opted out of the rat race. They all had the brains, professional skills, and political nous, and drive to stop the miners dead in their tracks — and they have largely succeeded.

Tough luck for the prospectors that the minerals they sought lay in Coromandel rather than somewhere where jobs and money meant more than trees and flowers.

But do the residents of Coromandel have the right to stop a mine that might bring benefits on a national scale? No-one wants a mine in his backyard — or for that matter a motorway.

If parochial interests did not give way to larger interests, it is unlikely any motorway would be built. But the proposed new Mining Bill gives the locals a lot of say in stopping a mine that might bring immense national benefit.

In their headlong rush to oppose mining, the environmentalists don't seem to consider the possibility that mining might be less damaging than other foreign-exchange-earning options.

The Peninsula Watchdog group put out a poster carrying a photo of a huge open pit copper mine saying, "Peninsula Watchdog is dedicated to ensuring that open-cast mines like the one shown do not become part of the Coromandel landscape."

If New Zealand had such a mine (geologists doubt such a porphyry copper deposit exists), it might earn us something like $1000 million a year. Sure, it is a great, ugly hole in the ground. But to earn the same amount from pulp and paper we would need huge areas of pine trees grown in the Rotorua-Taupo tourist area.

The pulp and paper industry is heavily subsidised both with export incentives and selling state-owned trees for less than half the cost of growing them.

Or one could stack up the $1 billion hole in the ground against Hugh Fletcher's aluminium smelter, damming salmon rivers to provide the power.

No-one but the environmentalist is talking about a mine anywhere near this big. The Waihi gold mine, if and when it opens, will probably be about the same scale of operation as the Winstones quarry in downtown Auckland.

If some one company opened a mine in the Coromandel and provided infrastructure and a mill, it would open the way for many small "two men and a dog" mining operations.

Small-scale miners haven't the money to start on their own. But if they can sell ore to an established mill, only a small investment would put them into operation mining residual ores in the many small mines that pepper the Coromandel.

Facing this sort of argument, many in the environmental lobby turn up their trump card — the multinationals are out to "rape New Zealand".

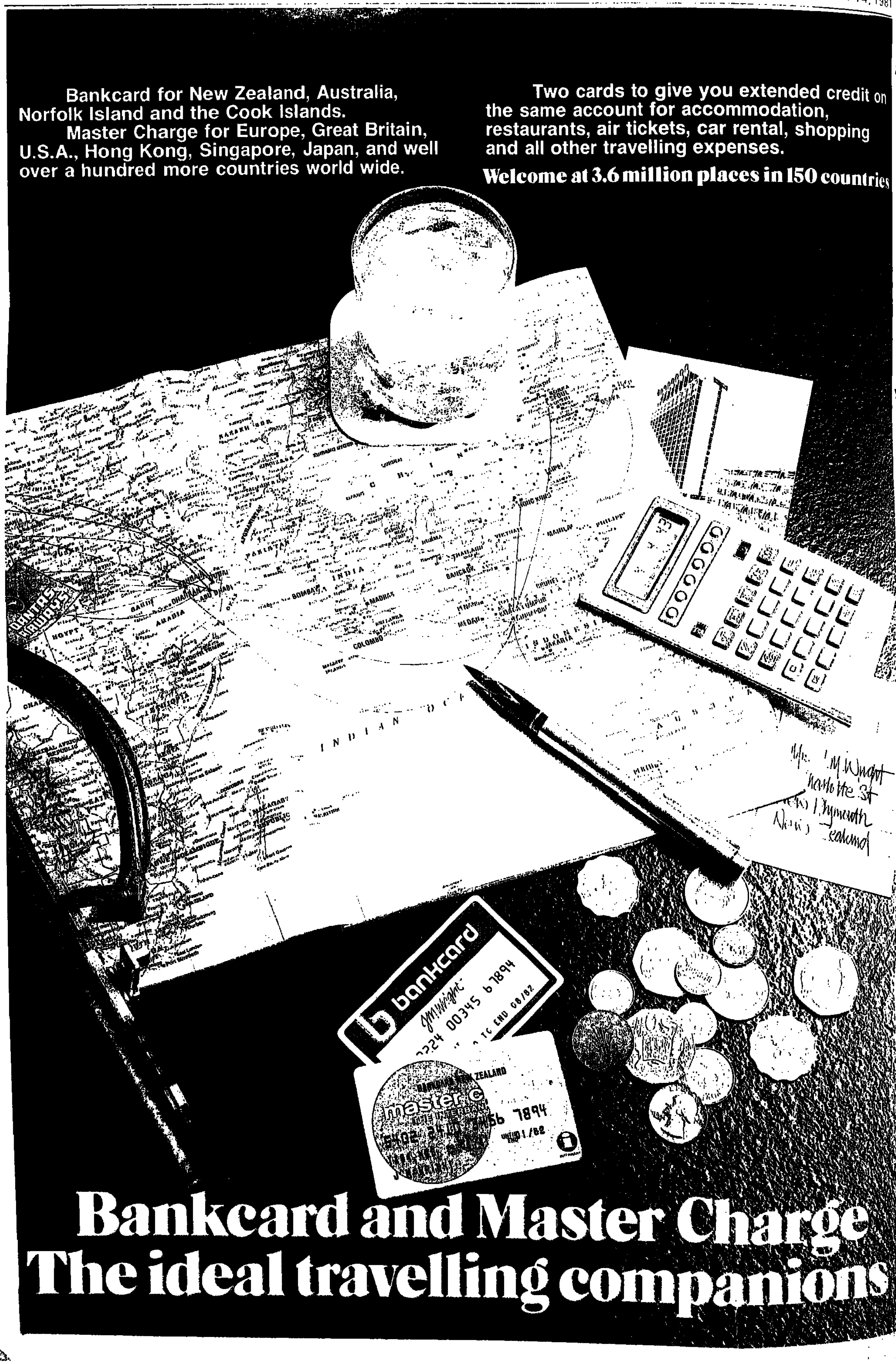
Forgetting that multinationals played a big role in developing this country, one might look at some of the mining companies in the thick of the fray. Mineral Resources was started off by Jack Barbarich, a Kiwi prospector made good and still backed with New Zealand investment.

Gold Mines of New Zealand also has a considerable New Zealand shareholding.

If the multinationals are as hated as the environmentalists say they are or should be, this factor might be the greatest environmental safeguard.

The hated multinationals would be scrutinised much more closely than a good Kiwi company.

Declaration of interest: staff reporter Berryman worked in the mining and exploration industry for some years. He has no present interest in or affiliation with any mining company.



Mining and minerals

Mining changes — what rights are left to public

SELECT committees are powering through submissions on the Mining Amendment Bill in an attempt to realise Energy Minster Bill Birch's wish that the legislation take effect from October 1.

As farmers, miners, fishermen and environmentalists mingle in the corridors of power, NBR continues a correspondence which has delved into the minutiae of the legislation.

Cath Wallace, economist, replies in this letter to Birch's letter in NBR (August 31).

A MAJOR and crucial theme to the mining debate has been the role of land-use planning procedures; whether the activities of the mineral industry should be subject to ordinary land-use planning procedures and controls, or whether they should, in some way, be given special treatment.

Birch said in October last year: "I'm anxious to tie the mining legislation into the Town and Country Planning Act so that the land use activity can be a matter for the local bodies to decide on. In my view the mining interests should be required to make an application to the local body, if mining is not a predominant right in the district scheme. That's a matter for the local bodies themselves."

But either the Minister has changed his views about Town and Country Planning and the decision-making powers of the local bodies, or the bill fails to fulfil his intentions.

For instance — in comparison with their role under the Town and Country Planning Act 1977 — the bill gives territorial authorities the powers only to offer advice to the Minister rather than make their own decisions and impose conditions after hearings.

Without the powers of the Planning Act the territorial authorities will lack the power conferred on them by that Act and this will probably mean they will not hold hearings because of their inability to pay councillors, to recover costs, and to fit their procedures into the 40-working day time limit.

The public are likely to find that their only opportunity to be heard will be after the package of proposed conditions has been arrived at and advertised, not before. In this sense the public are left out in the cold to participate as objectors after everyone else has had a say.

The mines division and I have long differed over the interpretation of "prospecting" under the existing Acts.

The mines division takes the view that under the existing Mining Act "prospecting equals mining equals prospecting". I claim that prospecting is much less than mining, though "mining" includes prospecting.

There are two elements to any interpretation of "prospecting" under the existing Act. On one hand there is no explicit definition of prospecting and the only reference to it in the interpretation or definitions section of the Act says "'mining' means mining operations; and includes prospecting".

On the other hand section 55 outlines the rights of holders of prospecting licences and deals with rights to enter on to land to dig pits and tunnels, extract and remove samples and so on.

In my view the mines division's equation of prospecting to mining — which interpretation they have confirmed to me — is a simple but fundamental error.

The Minister denies that holders of prospecting licences will be given greater rights by the bill. But how can the addition (with no off-setting deletions) of an extra clause that specifies that, subject to conditions, the holders of a prospecting licence may "erect, maintain and use buildings, dwellings, plant and machinery, construct, maintain, and use tracks and engage in other works in connection with and for the purpose of the prospecting" possibly be interpreted as a restriction on the rights of licence-holders?

The only other change bearing on "prospecting" is the provision of a definition which is generous and allows high-impact mining feasibility trials, the type of procedure which Mineral Resources and Green & McCahill used to extract $2.3 million (at November 1980 prices) of gold and silver ore from their Martha Hill prospect.

The Minister's claims that clause 19 of the bill "introduces a new provision for local authorities to be forwarded copies of applications for prospecting and mining licences which will include details of the work programme and an assessment of the environmental impact" is inaccurate, but may reflect intentions which would be widely welcomed.

The bill does specify that applications will be forwarded to territorial authorities — but does not specify that these are to include the workplan, or the environmental assessment form which must be sent in with the application (already current practice).

The environmental assessment form, at least, is clearly distinct from the application form itself and the present practice of mines division is to deny inquirers the right to see it, the workplan, or anything more than the name and address of the applicant, the legal description of the land and a map.

The bill says nothing which would change this. Perhaps the Minister's staff have erred here. The bill is silent also on the matter of making reports open to the public.

The Minister states that objectors could send objections to him or to the mines division if they find the new procedures too expensive. He ignores the fact that this is the existing arrangement which has been found unsatisfactory and has led to the proposed arrangements that objections should be put to the Planning Tribunal or some other planning body that does not suffer his own (portfolio-imposed) bias in favour of one land-use against another.

It is no solution to send those who are poorly-off back to the old system. Anyway, section 127 which channels objections to the Minister is repealed by the bill.

The Minister's defence of the lack of concessions to farmers and landowners is particularly weak. The core of land-owner complaints is the property-rights issue; the fact that freehold ownership of the surface of the land may count for nothing against a prospector's or miner's wish to dig the land up for the minerals below.

The bill does nothing to alter the fact that privately owned land may be licensed out by the Government for prospecting and mining against the wishes of the owner and occupier.

Section 37 which allows this even when the minerals and access to them are in private hands remains unscathed by reform. The bill does not even provide for the courtesy of sending to the owner and occupier copies of the application and proposed conditions when these are prepared for objections.

The minor changes the Minister mentions require company officials to identify themselves, and to give farmers three working days' rather than 24 hours' notice of entry on to land, are not going to get to grips with farmer concerns.

The Minister quibbles at the suggestion that the Minister of Energy determines the scope of investigations. It is true that eventually the Planning Tribunal hears objections, but before this the Minister decides whether to refer applications to the catchment boards and Commissioner of Crown Lands.

Extensions of time for investigations by these authorities and the territorial authorities are dependent on the pleasure of the Minister of Energy, and it is the Minister of Energy, not the Environment, who decides what environmental studies or reporting should be done.

Objectors have to force a compromise from the package of conditions which the Minister puts together. The Minister, in setting the starting-point for compromise has a built-in advantage. There is no disagreement that the Planning Tribunal has the final say.

If the Government is serious in its desire to safeguard the environment why is the role of the Commission for the Environment restricted to discussing with the tribunal audits of environmental impact reports on an invitation-only basis?

The Minister always has the right to decline an application for any reason. I call this power a veto, a description which any dictionary will confirm is accurate.

The Minister does not come to grips with my concern with prospector's rights on unoccupied Crown land. The bill provides a new definition of "to prospect" which includes mining feasibility trials. These can involve drilling, trenching, and bulk sampling by making tunnels or substantial open cuts.

The industry and mines division argue that the construction of plant, equipment, buildings and dwelling houses and tracks are all part of "prospecting" and they use this to justify the additions to section 55.

Section 55 does not apply to prospectors' rights, but my point is that if these activities are accepted as part of "prospecting" then they are also allowed under a prospector's right, since this authorises the holder to prospect. The clause which specifies that this must be done "with as little damage as possible" is so open as to be no barrier to any of the above activities.

It is agreed that these rights are not exclusive but agreements between companies not to interfere with each other's activities would cope with this. Prospectors' rights are totally exempt from planning or other scrutiny.

$200 million question: who pays for logging roads?

by Bob Stott

AN extra $200 million will have to be spent on roads before the end of the century to handle the expected increase in logging truck traffic . . . and no one seems to know where the money will come from. For that matter, who should meet the extra cost has not been agreed.

Theoretically there should be no problem in providing the logging trucks with adequate roads — the road user charges should cover this. But the road user charges do not even cover all the maintenance costs for back-country roads carrying logging traffic, let alone the cost of upgrading which will be necessary in almost all cases.

So there will be a shortfall in roading income as the new forest blocks reach maturity and start generating traffic, and that shortfall is expected to amount to $200 million.

At the heart of the problem is the Forest Service policy of planting pines on cheap land. The land is cheap because it is of poor quality and because access is bad. As a result there are large plantings in remote areas, with bad roads — the East Cape region, for example.

In many areas the pine plantings have checked erosion and for farmers in lower areas represent a worthwhile investment, even if the trees are never cut. And when the cost of roading in the East Cape, where good road metal is rare, is taken into account, trying to extract the logs becomes a questionable venture.

It is perhaps a paradox that the "capitalist" section of the forest industry has proved more community-minded than the Forest Service appears.

Companies such as Forest Products in the Bay of Plenty are big landowners and therefore big ratepayers. In rural areas a large share of rates goes in roading and companies like Forest Products also actually maintain certain public roads. In Nelson, Baigents is a ratepayer which also assists the local authorities with contributions to roading funds, apart from normal rates payments. And there are other companies doing the same thing.

Overall, private foresters have planted trees in reasonably accessible areas as they have been mindful that one day the trees will be logged — and they'll have to foot the bill for getting them to the mills.

So they have usually planted in areas of reasonable accessibility and even where the attraction of cheap land has dictated otherwise, they have made fair contributions, through rates and extra payments, for the abnormal road use their industry demands.

If farming is regarded as the New Zealand norm, logging generates 50 times as much traffic, according to a Lincoln College study.

The Crown does not pay rates, but grants are made in lieu of rates. However, Forest Service payments to counties don't amount to much. "They at best represent little more than token payments and bear no relation to the cost of providing roads to required standards," the roading director F A Langbein told a recent meeting of the National Roads Board.

Concern at the money needed over the next decade or two to fit the roads to cope with logging traffic is not based on hypothetical projections, but firmly on past experience. In the Bay of Plenty over the past 20 years $60 million to $70 million was spent on state highways to meet the requirements of the forest industry — figures which exclude normal maintenance.

Who should meet the cost of upgrading roads for forestry? If this industry is to be treated like others, then the industry itself must make a fair contribution.

In the same way that Forest Products has paid a reasonable contribution for roads so, too, did Comalco for the new road serving Tiwai Point. The proponents of the second aluminium smelter are also making provision in their plans to meet a fair share of the extra demands they will impose on the roading system.

If such payments are not forthcoming, then the forest industry will end up being subsidised, either by other road-users or by all taxpayers. It may be argued that it would be a friendly gesture by road-users nationally to pay a bit more than their due so that the extra cash can be ploughed into developing East Coast roads to the point where pines planted in the backblocks can be logged.

But this runs counter to the present Government's philosophy of letting costs lie where they fall.

Some sort of regional development grant system could be set up, so the burden would be carried by all taxpayers, the argument being that such development would be in the interests of the nation as a whole and not just the forest industry, or road-users or some other sector.

Perhaps the simplest way would be a course advocated by Langbein — simply to ensure all developers contribute equitably to the costs of doing up the roads they want to use. The Forest Service could set aside some of the proceeds from timber sales as its contribution.

If the full cost of roading was to be met from the proceeds of sale of timber from remote areas, it might be argued forestry might no longer be able to return a satisfactory profit. But that would represent the attitude which sees a project or activity in isolation, without regard for the overall national economic good.

There have been a number of such examples in recent times, including the transport of pulp from the Karioi mill, near Waiouru, to the port of Napier.

The original proposal was to truck the pulp over the Taihape-Napier road, in the expectation apparently that the nation or the district would be happy to meet the cost of doing up the road to handle big truck and trailer rigs — and at no cost to mill and truckies.

Sanity prevailed at the last moment and the pulp is now railed to Napier.

So it seems timely that a broader view of the forest development projects should be taken. At one extreme, a few blocks in the most remote areas might really be more use in preventing erosion than being felled and transported at great expense.

Some blocks should perhaps be cut, even if at a loss after transport is taken into account, because the net gain is an increase in overseas funds, more than cancelling out any internal loss.

Studies are under way on the transport demands of the forestry industry in the central North Island, among "the national and regional implications of a range of development options for the forestry and related transport and servicing activities" over the next 25 years.

The study started mid-year and is expected to take 18 months, so the National Roads Board will probably have to wait until the end of next year before a final solution to its $200 million dilemma is found.

Energy

Opec in disarray over single oil price; everyone loses

by Christopher Laidlaw

PERHAPS as a final gesture of immaturity before it celebrates its 21st birthday, the Organisation of Petroleum Exporting Countries (OPEC), has failed yet again to agree,on a single price for the oil of all of its members.

As this year's meeting expired on the basis of an "agreement to disagree", observers in Vienna, were again predicting the break-up and dissolution of Opec, something they have been doing for five years since the heady days in the early 1970s when Opec solidarity held the industrialised world to ransom.

For Opec, the latest debacle has certainly been distressing. It seems astonishing that the 13 member countries which drove the price of oil up 1500 per cent over the past decade should fall out over a single dollar — the amount separating Saudi Arabia and the rest.

Yet that in simple terms is what the latest dilemma really comes down to. The occasion was even more unique because Opec has never before met to consider the possibility of reducing prices.

But no one in his right mind seriously doubts that this storm will pass and that the organisation will survive. It has proved itself capable of withstanding differences, not only over pricing and production policy, but also over pan-Arab and nationalist politics.

The current disagreement is not as traumatic as the split on prices at the end of 1976, which lasted into the middle of the followng year, when Saudi Arabia and the United Arab Emirates stuck to an increase of 5 per cent rather than the 10 per cent set by other members.

As Sheikh Ali Khalifa al Sabah said — recalling the words of Mark Twain — "reports of our death are greatly exaggerated".

The meeting was called by Nigeria, hard hit by the continuing slump in demand and by high Saudi production, to re-establish a common price structure, following a 2½-year period of disarray.

The event took place on the condition set by Saudi Arabia, the organisation's moderate, pro-western heavyweight, that agreement should be assured in advance.

The kingdom's terms were well-known. They were that the basic reference price for all varieties of crude oil should be rationalised at a level of, at most, $34 a barrel for its own Arabian light.

That would be midway between the $32 to $36 spread allowed under the muddled compromise reached at the last summit in December 1980 in Bali.

The stance adopted by the kingdom involved a large concession, as well as a degree of steely determination. Throughout the haphazard escalation of prices since the beginning of 1979, following the Iranian revolution, Saudi Arabia has consistently sought to restrain the upward drift. This year, by maintaining high production, it has begun to achieve its aim.

Two years ago the non-Communist world was using around 50 million barrels of oil a day, with Opec's share peaking at 32 million barrels a day.

Today, the recession, conservation and the price-impelled switch away from oil to alternatives like coal, have driven demand down to about 47 million barrels a day.

But Opec's share has fallen disproportionately; it has been a victim of its own price extremism and of rising oil production from Mexico and the North Sea, and its total output has slumped to a mere 21.5 million barrels a day.

The Saudi strategy is to enforce an Opec price freeze and then unveil to the world Opec's "long-term strategy" based on a reference price indexed to western inflation and economic growth.

This would preserve Opec's real wealth but its gradual and predictable price rise would not shake the world economy by triggering sudden bouts of inflation.

If the rest of Opec can be brought around, then oil will retain an essential share of the energy market well into the next century, a vital consideration to a country like Saudi Arabia with more than a quarter of the world's known oil reserves.

The prospects of all this falling into place are not good, however logical they might seem from almost any producer's point of view. The reasons lie essentially in the wide range of perceptions — both political and economic — which exist within the organisation.

The gulf between Saudi Arabia and Iran, for instance, is no longer just geographical; it is ideological and seemingly irreconcilable. In the past commercial considerations have overridden the political differences in approach between, say, the Gulf Arabs and Iraq, Algeria and Libya and all has been sweetness and light at conference-time — despite pricing differences. With the Iranian revolution, and the push/pull effect it has caused throughout Islam, that harmony is no longer possible.

The Iranians refused point-blank at Vienna to consider a reduction in the prices of their light or heavy crudes on the grounds that such a concession to the "forces of Western reaction" could not be tolerated in Tehran.

In any case they need the money. And so do many of the others who had hoped that the Saudis would relent, drop their production and let their price float up to the level of the others.

The market share for such producers as Nigeria, Libya and Algeria continues to contract and their dismay at the lack of a settlement will be all the greater in coming months.

But what was most worrying for Opec as an organisation was the newly and totally unexpected intransigence of Venezuela, a founder-member of Opec and the inspiration behind its formation, which has traditionally acted as mediator, using appeals to sentimentality and group spirit.

The Saudis clearly underestimated the new pragmatism of the Venezuelans. They were also sceptical about the actual Venezuelan price, which their own calculations put at around $35. In practice any precise estimate is difficult to make.

About half of Venezuela's exports are in the form of refined products. A large proportion of the rest is accounted for by heavy fuel oil. In the context of the international market, Venezuela is insulated by its proximity to the United States, the destination of about 80 per cent of its shipments, and by long-established contractual arrangements.

It is also a reliable supplier, which did not play the spot market in 1978-79. All this explains why Venezuelan exports are still running at the desired level of 1.8 million barrels a day, despite a world glut.

It is no secret either that Humberto Berti is a candidate for the presidency of Venezuela at the next election. Thus, another triumph for domestic considerations over internationalism and this time a costly one for, although Venezuela relented in the end, it gave some of the other hardliners the opportunity to torpedo any hope of an agreement this time.

There can be no certainty that Saudi Arabia will stick to Sheikh Yamani's stated intention of keeping its oil price at $32 throughout 1982. The economic well-being of the West and the long-term market for Opec oil remain the Kingdom's prime concerns.

But, political factors, particularly the lack of progress towards a solution of the Palestinian problem, could rapidly affect the equation. The situation in the Middle East is, if anything, even more dangerous than in 1973 before the great price shocks.

It remains to be seen how far the continued disarray will force down the average price of a barrel of Opec oil.

This was recently calculated by *Petroleum Intelligence Weekly* to be $34.25 a barrel. That is some 50 cents down on the first quarter of 1981, indicating the depressive pressure of slack demand.

Sheikh Yamani is confident that the price will fall further. Nigeria has already begun to bring down the price of its top quality crude from a record $40 to as "little" as $34 to $35 a barrel.

And the British, sheltering behind the Opec sellers of high quality light crudes have been obliged to follow suit. It is difficult to see how Libya and Algeria can avoid following suit.

Libya's output has slumped to an unacceptably low level of 450,000 barrels a day, compared to a target level of 1.4 barrels a day, and 700,000 barrels a day that it needs to balance its budget.

Algeria is in a stronger position because of more binding contractual commitments, but cannot feel complacent. Notwithstanding its intransigence, Iran must soon be forced to offer substantial under the table discounts. The same is true of Iraq.

What then does the longer-term future hold for the price of oil, the key question for all the consuming countries, including New Zealand?

For a year at least, and probably two, members of Opec — and indeed all oil producers — face the prospect of an erosion in the real value of their per barrel receipts. Members of *Opec who refused reunification* of prices last month may well regret quibbling over $1 and losing the opportunity of stabilising the price.

Even so, the chances of realignment at the end of the year look slim. Sheikh Yamani argues that the price of oil should be subject to demand like any other commodity, and thus liable to go up or down.

Most other members of Opec do not see it that way. And the Saudis have undermined their own argument by cutting production by one million barrels a day immediately after the meeting as a conciliatory, rather than strictly commercial, gesture.

And other important considerations are at stake. As a result of the failure to reunify prices, the adoption of the system of indexation recommended by Opec ministers earlier this year has foundered again.

Under the proposed mechanism, prices would be adjusted quarterly to take account of inflation in industrialised countries, fluctuations in the value of the dollar against other currencies, and the growth rate of members of the Organisation for Economic Co-operation and Development.

This highly important innovation would constitute a central element in the reconciliation of the dual interests of oil producers and consumers. It is, too, of key importance to the package of reforms which heads of government of the "North" and the "South" will consider at the Mexico summit in October.

Indeed, *without this device* — for protecting the producers' future purchasing power on the one hand and the consumers' capacity to absorb planned, but moderate, increases in their oil bill on the other — the chances of constructive reform of the world economy are substantially reduced.

Thus, attention turns now to the next summit meeting of Opec at the end of the year. Will reason finally prevail or will the exigencies of narrow nationalism once again drag the world's most important cartel even further into disarray?

It is very important for the world that Opec's unity is put back together as soon as possible.

ELECTION WATCH '81

Eight-page Christchurch survey — Next week

Systems '81

DATA PROCESSING

Local firm gets into 'multi-micro' packages

Microcomputers are increasingly taking a role in the small business; but when the small business grows, what does it move on to as an information-processing resource?

The path from microcomputers to minicomputers can be a hard road, involving appreciation of a new scale of equipment, conversion of software and often complete reappraisal of the way information processing should be organised in the company.

Suggestions for solving some of the difficulties of growth emerged as a prominent theme of the recent Systems 81 exhibition in Auckland. Included were various ways of tackling the micro-to-mini transition, with common architectures, operating software and languages, as well as the suggestion that the minicomputer step was not necessary; that a network of microcomputers could do everything a mini could, without many of the transition difficulties.

Stephen Bell examines some of the candidate solutions.

ONE of the original forms of multi-microcomputer systems to come out of the United States has been adopted locally by a company making its first venture into "package" computers.

GTS Engineering has, to date, been emphatically an "electronics" company, with a range of equipment from generators through current analysers and meters, and only marginally into the computer field, with bare microcomputer boards and small peripherals.

Now it has been chosen as New Zealand agent for the Novell Nexus, a range of microcomputer equipment designed to satisfy the growing needs of the small businesses now attracting the attention of the micro-makers.

The trouble with approaching this market, says Utah-based Novell, is that the small affordable "starter" microcomputer systems might not be considered adequate for a business looking to future growth.

Such a firm could see the conventional range of models as an expensive way of expanding its computer resources.

Novell's approach to the problem is to design its processors deliberately to hook into a network.

The basic processor is incorporated into a terminal unit and hooked into a "data management computer", which does nothing but shift information between processor and disc and tape storage.

As needs grow, more processing power and more storage can be hooked into the opposite sides of the data management machine — a microprocessor network expandable without the expense of discarding obsolete equipment.

In time, it may become more efficient to include more than one data management machine in the network. Systems in the United States are managing as many as 100 terminal computers and large amounts of store, said GTS.

Novell, having established itself in its first year, was putting out feelers for overseas agents. At the same time, GTS had begun to feel that microcomputers represented a logical progression from their chip work, said spokesman Bob Wisniewski.

One of the manufacturer's principals had previously been with a company with which GTS has worked, so a contact was established; but GTS won out over local competition from firms already deeply involved in the computer business.

Novell itself is a curious company, built up deliberately by its parent, Safeguard Industries, from high-powered DP specialists, including George Canova, former president of Calcomp, one of the giants of the US peripherals industry.

It was stipulated that everyone recruited to the company should have at least 15 years' computer experience.

At present, the Novell network is based on a micro from Zilog, but a move to Motorola seems very likely.

Nestar micro-networking here

THE micro-networking idea has penetrated New Zealand *from at least one other source* — a Californian company, Nestar has produced a box which not only provides sharing of expensive resources, such as disc and printer, for a number of microcomputers, but itself includes the disc, a large-capacity fixed model.

The Nestar File Server, as it is known, can be used in an analogous way to Rank-Xerox's 8000 range of "servers" on its Ethernet Local Area Network (*NBR*, August 17).

But the NFS also includes interfaces to printer and to similar units and its more frequent use is as a central point for a cluster of microcomputers. Thus each local office within an organisation can have its own cluster of micros attached to a central NFS, with two way communication between the NFSs as appropriate.

Essentially, the same facilities are there either way; a micro can use information from, or submit information to, any file on the system.

The Nestar networking idea has been exploited by organisations as diverse as the British Stock Exchange, the Bank of America, and the devisers of a computerised playground for children.

The first New Zealand installation of a Nestar network has gone to Auckland University Students' Association, which is currently linking only two Apples into it, but clearly with room for a good deal of expansion.

Local agent is Southern Software, of Auckland, an established Apple distributor also known for its success in selling microcomputer "fantasy" games overseas.

But *the company considers* that its agency may be shortlived, and a British branch of the Rank organisation, Rank-Nestar, may soon establish a local office. This would present *an interesting potential conflict* with the Rank Xerox branch of the conglomerate, which, of course, is well into local area networking.

The NFS unit is currently available with 16.5 and 33 million-byte fixed disc, and a 66 million-byte version is in the course of production.

An obvious criticism of centralised storage is that it means contention between different microprocessors trying to access the same disc, with consequent slowing of the response time.

This problem obviously cannot be eliminated, said Southern's Martyn Jones, but the NFS's internal microprocessor can reorder the "queue" of users waiting for access to files on the same disc.

Southern's representatives pointed to an article in a recent edition of the US magazine "Mini-Micro Systems", which contends that microprocessors sharing storage is less expensive than the centralised and shared processing of a minicomputer, up to the point of about 80 terminals on the system.

Large numbers of terminals on a minicomputer obviously degrade performance for the individual user, while the network continues to add processing power on a level with the number of users.

Jones admitted one drawback of the system; for the present, at least, it ties the user down to the Apple micro as the "front-end" processor.

Southern Software had some trouble earlier this year over importing the latest model Apple, the Apple III, under the nose of official agent Consumer Electronic Distributors.

The situation has now been resolved, with Southern operating as a sub-agent of CED.

But meanwhile hardly anyone can get Apple IIIs, owing to faults with the machine and delays in production.

Enter MicroCobol

BEING able to extend one's computer hardware from micro to mini means little if the programs cannot be easily transferred. Programming, after all, represents the major part of the investment in a computer system.

One point of attack is at the operating system level; the point approached by David Reid's Q-series (*NBR*, September 7).

A transportable standard operating system should allow use of the same programming language and compiler when moving up the range of hardware.

But an alternative approach was very much in evidence at the Systems '81 exhibition — the MicroCobol software produced by British firm CAP-CPP.

The local agency for the product has been won by Auckland software house Interactive Applications Ltd.

Apart from IAL's own promotion of the product, MicroCobol appeared on the Anderson Digital stand, running on the Northstar microcomputer, and on Cromemco equipment, handled by McLean Information Technology.

The CAP-CPP product approaches the problem at the language level, providing a standard version of the Cobol language backed by an interface to a variety of operating systems.

Local expertise

DSIR woos Digital interest in locally based projects

SCIENCE and Technology Minister Ian Shearer hinted during the recent opening of Digital Equipment's new Wellington offices that the United States-based computer manufacturer might do well to invest more than just sales and service expertise in New Zealand.

"An investment in research and development," he said, pointedly, "could only improve the existing goodwill, to the benefit of both your company and New Zealand."

Having failed, for the present, to attract the multinational silicon chip manufacturers to these shores, the Government is plainly still all out to encourage practical overseas investment in the "increasingly export oriented" microelectronics industry; an industry which, Shearer pointed out, has "a low impact on the environment and a relatively low energy demand."

This time the message reached the right audience, a strong cohort of DSIR men, who descended on Digital managers John Forster and Max Burnet (New Zealand and South Pacific Region), with suggestions of co-operation.

Burnet was persuaded that afternoon to go over to the DSIR's Physics and Engineering Laboratory in the Hutt Valley, to look at some of the electronic products which have emerged both within and outside the DSIR's role as a significant user of Digital machines.

PEL has experience in hardware fabrication technology, in the form of thick film deposition — a miniaturised version of the printed circuit — and considerable background in the architecture of Digital hardware.

This had enabled it already to construct sophisticated interfaces between the machines, and monitoring equipment or other processors. With Digital's further aid, some eminently exportable products could be produced, particularly using local software expertise.

The DSIR men hinted, moreover, that it could be to Digital's own good to establish now a connection which would give its products a New Zealand content, be it hardware or software.

There is, some feel, the possibility that the Government could tighten up its "offset" program, requiring not just major projects but moderately expensive technical set-ups to have some New Zealand-built element.

Only a few hours before opening the Digital offices, Shearer had witnessed one of the successes of DSIR-originated local technology, when inaugurating the manufacture of a multi-channel radiometer by Delphi Industries, of Auckland.

The hand-held instrument measures reflected visible and infra-red radiation from surfaces at ground level, helping to identify the radiation patterns picked up by aircraft and satellite observations and "tag" them to real features of the terrain.

The radiometer is reckoned to be superior to overseas models and to have a large export potential.

Digital, meanwhile, is by no means shy of making a contribution to this country's electronics expertise. Some months ago it suggested setting up, within one of the technical colleges, a microelectronics engineering course.

Digital said it would supply training for instructors, documentation, and a machine for "hands on" work, but the proposal met with a cool response from the Education Department.

Orion contract boosts Progeni

THE five-figure offset contract won by Lower Hutt firm Progeni to supply software for the Royal New Zealand Air Force's Orion aircraft is "a hell of a good start" to Government recognition of New Zealand software expertise, says managing director Perce Harpham.

It might, he reflects, lead to a greater awareness of the value of that expertise by those deciding local large contracts. "It seems a pity that we have to travel outside New Zealand to do New Zealand work," he told *NBR*.

The Orions are being refitted by Boeing in Seattle, and Progeni's work will consist of software development for detection and navigation systems on the aircraft. "Two of our people are already in Seattle; one from Wellington and one from Auckland, and another will be going shortly from the Wellington office."

An enthusiast for the home-based development of software by New Zealand firms, Harpham doubts that much work of this kind will be done, "at least until the planes come to New Zealand."

The task of developing and maintaining the aircraft's electronic systems will be essentially open-ended. Not all of the maintenance is covered by the current contract, but Progeni obviously stands to gain a lot of the future contracts for maintenance work.

Progeni, he admits, has done no work explicitly relating to navigation and sensing of this type before, but "some of the work we've done on control systems and communications (such as the alarm-sensing network for the Melbourne fire brigade) is in the same area", and will doubtless be helpful.

Harpham also sees some valid experience coming from the Poly school computer project, which involved Progeni people in the techniques of image and text representation on raster (television-like) visual display screens.

The offset scheme, designed to give work to New Zealand companies from Government-awarded contracts, is now paradoxically being explored by companies with an overseas base, particularly in the computer area.

Firms like the Computer Sciences consultancy and bureau have formed New Zealand subsidiary companies with an explicit intention of applying for offset contracts.

The Trade and Industry Department confirms that there is nothing to stop such companies applying for offset contracts and being awarded them, providing it brings overseas experience and overseas funds to New Zealand and supplies some work for New Zealanders.

Computers in the office

Datapoint force in distributed, integrated markets

WITH a strengthened local presence and major presentations organised for its latest products, Datapoint is gearing up to become a big local force in the distributed processing and integrated automated office markets.

The United States-based company has already scored its first local coup on the distributed processing side. Its victory over IBM for the State Insurance network carries the promise of several further Government contracts, virtually automatically (*NBR*, August 24).

The company can fairly claim to have been first with the "local area network" concept — the dispersal of information processing and information storage resources around a local suite of offices to be shared among a number of users.

But Datapoint's Attached Resource Computer concept has until now had some awkwardness in its interfaces, with a separate operating environment (DOS) in each machine and another (ARC), to run the network.

Processors under ARC have, to date, been specialised as applications or resource processors; the former dedicated to pure processing, with no local storage or peripherals, and the latter handling the storage and peripheral functions entirely.

With the new 8800 processor and RMS operating system, ARC now appears a lot more integrated. The RMS software covers both network and internal processor control. This simplifies the user interface with the machine, allowing any user simply to have access to files, programs and peripheral devices anywhere on the system.

In practice, the user will predefine one or more "environments", within which he or she wishes to work. The environment is an image of computer system elements which may be widely dispersed throughout the building, but appear to the user as his or her own local computer system.

The 8800, Datapoint's largest processor to date, carries on the ideal of flexibility. It can be used as a stand-alone processor, or as an applications or resource processor within an ARC network.

Much of the processor's internal circuitry can be customised to suit the user's needs in peripherals and communications.

Datapoint has already established its Integrated Electronic Office System as a force in the integrated information market; the addition of two new PABXs in conjunction with the newly flexible ARC greatly extend this capability.

The trouble with the information received by the typical decision-maker is not only its volume, but the fact that it comes from so many different sources — paper, telephone, and now the visual display screen, said Datapoint NZ manager Eddie Tracey.

The ability to connect the new exchanges with the ARC system brings closer the concept of a single information point. A display can be attached to the telephone line in the normal manner, but from there can give access to the entire network.

The display can warn the executive in advance who is on the other end of a telephone call, and the call can be "denied" by pressing a button, or can be rerouted to another office.

Already the new exchanges can store and forward, route and monitor digital messages, and storage of voice messages is not far away, a spokesman said.

The current range is clearly fertile ground for "multi-media" terminals of the Xerox Star type, for teleconferencing and all the other panoply of the automated office.

Since earlier this year, when Datapoint took over 90 per cent of Sigma Data, it has been clear that the Datapoint presence in the local market would become a good deal more evident. While in most other countries, there will still be a small force selling Sigma products independently of Datapoint, the Sigma presence in New Zealand has been totally absorbed.

IBM Displaywriter extensions near

EXTENSIONS to the IBM Displaywriter, released in the United States in May, could be nearing a local announcement.

The enhancements will give IBM's small word-processing machine something of the "records processing" capabilities of the older and more expensive Office System 6 range, plus a good many more facilities in standard report preparation, which give the word-processing operator's task something of a programming element.

Records processing covers the simple creation, update and retrieval of office records, together with the use of such records to insert variable information into passages of text.

An increasing number of word-processing suppliers are getting into the act with something similar, allowing the word-processing operator to take on some of the small tasks which would previously have been run on the computer — if the DP staff had the time to program them.

While the office staff might be accused of treading on the DP department's toes by assuming such tasks, they might also be seen as taking some of the burden off their shoulders.

At about the same time, *NBR* believes, IBM may announce some of the promised communications enhancements for the Displaywriter, integrating it more fully with the company's main lines of computers.

Even support for its standard future communications discipline, the Systems Network Architecture, could be on the horizon.

Qantel 'vertical' specialisation suits CCL's marketing

QANTEL's increasing attention to narrow specialist applications markets for its small computers will continue locally a trend already established by New Zealand agent Computer Consultants Ltd.

CCL has long been marketing packages to the legal and sharebroking professions, and a reminder of this made Qantel senior vice-president Dallas Talley modify his comment to *NBR* that distributors had not yet arrived at the "vertical market" approach.

Vertical marketing makes sense to both supplier and customer in terms of saving costs on increasingly expensive software modification. The more standard an industry or profession's practices, the more completely they are catered for by a standard software package.

Qantel's own narrow market approaches have been in different areas from CCL's, ranging from retailers to professional football teams.

But the first of the specialist attacks to be imported here coincidentally approaches a market already attacked by CCL with its own package — manufacturing.

"Hardly what you would call a 'vertical' market," Talley admitted, but a market with its definite and relatively standard needs in information processing — scheduling, order planning, materials requirements calculation, work-in-progress monitoring and so forth.

Naturally, with any manufacturing package there are facilities for the user to define the components and practices of their business, but not to meddle with the program itself.

As part of the narrow-market, standard-package philosophy, Qontel does not give the user the source code — the relatively understandable statements in which the program was originally written.

This prevents unauthorised changes to the package, but also makes it more difficult for the user's own DP staff to fix any problems which occur.

Qantel has, therefore, set up remote servicing facilities, like those introduced by Burroughs (*NBR*, September 7) and IBM, allowing the vendor's servicing staff to "tap into" the user's machine through a telephone line, or to duplicate his problem on their own machine, and work out a remedy.

CCL staff are already under training with a view to setting up a similar facility in Wellington late this year, said director Tim Cullinane.

CCL is committed to selling Qantel's QMRP manufacturing package, but the company's Qantel software manager Steve Bradley will visit the United States soon to examine Qantel's other "vertical market" packages.

QMRP approaches to a large extent the same market as CCL's own manufacturing package, QMAS, but Cullinaue expected that "there will continue to be some functions which QMAS can handle and QMRP can't". QMAS, he pointed out, had never been a front-line product of CCL, because of the degree of software support required.

Qantel's package includes modules to plan the efficient acquisition and use of materials and other resources, to schedule and track jobs through the plant, produce appropriate documentation and allow both manufacturing and marketing staff to keep track of how well orders are being met.

QMRP can be hooked into Qantel's Qicplan package for additional front-end planning and "what if" capability — the ability to predict the consequences of a planned or expected change in circumstances.

Since its release in the US last October, QMRP has enjoyed striking success, and Talley expects manufacturers to account for 10 per cent of the company's United States customers in the next financial year, he told *NBR*.

Healing goes in-house

WITH its diverse interests in paint, chemicals, electroplating and, its most familiar product — cycles, Healing Industries has reached the point where it considers an in-house computer system essential.

To date, Healing has processed creditors, private ledger debtors, sales and stock information in batch mode, on a Burroughs machine belonging to nearby Sonata Laboratories.

Its only in-house computer capacity was a "small Hewlett-Packard" machine running production control separately for its paint manufacturing operations.

An AWA Reality system will provide on-line processing of orders and updating of stock records, both of raw materials and finished goods, debtor balances and sales analyses.

On the stock front, the system would be particularly valuable, said company secretary John Elmsly. "It means we will be able to automatically gauge wholesale requirements and know instantly if we have raw materials available to produce a particular range of finished goods."

Most important, the system will allow Healing to analyse profit margins on all its products, he said. "Until now we've only been able to do it with selected products or in selected areas."

On the bicycle side, the computer-based production control system would be an entirely new feature, said Elmsly; to date this process has been handled manually.

Thinking big, in the modular fashion, of course

by Stephen Bell

COMPUTER people could hold the answer to the "think big/think small" problem besetting the nation's decision-makers.

The attraction of the big projects, naturally, is that comparatively few such schemes are needed to generate the large amounts of exports and large numbers of jobs we need.

But large projects, the "anti" lobby points out, are also complex and inherently carry a higher degree of risk.

Such projects "take longer to carry out, and so extend further into the unknowable future" said economics lecturer Tim Hazeldine. "And they tend to represent a bigger break with past experience; with the knowledge embodied in previous undertakings."

All this will sound familiar to the computer bods; they faced the problem of large risky projects long ago. The answer lay in what is known to the trade as "modularity"; you develop the computer system as a lot of small projects, substantially independently; you can even get a lot of people to work simultaneously on the separate small bits.

That tends to solve the unemployment problem; it's worthwhile noting that the computer industry is one of the few that actually has more jobs than people.

Then you hook the small projects together progressively into larger and larger chunks of finished development.

Thus the programmer who's only worked on "garden shed" programs before can truly contribute to a "think big" computer system. That solves the problem about breaks with previous experience.

So the new slogan is "think modular"; or should that be "think modularly"?

Linguistic guru Noam Chomsky has been trying to persuade us for years that the modular way is the natural way we think anyway, and this is why language is constructed from assemblies and subassemblies.

This is not to say, of course, that they're not going to build an aluminium smelter out of bits and subassemblies. Of course they will. But the bits won't be *usable* bits until the entire installation is finished.

This is the real attraction of program modularity, beyond manageability of the task and good design. Sometimes, with a suite of computer programs you can actually *use* the bits productively and even make some money out of them, before you hook the whole thing together; you don't have to wait years to start getting your payback.

And there's no risk; by the time you've got round to assembling your total system, the components have been thoroughly tested under actual conditions and all the "bugs" have been eliminated.

Furthermore, should the demand suddenly alter and the company want to do something different with the computer, bits of program can be slotted out in the course of development and new modules slotted in. I'd like to see them convert an aluminium smelter into a copper smelter in mid-development!

So that's what we need for "national development"; a nice set of small productive projects that will please the Schumacher freaks, but so arranged that when they're looking the other way we can hook the outputs of one into the inputs of another and have a painless "think big" set-up.

Ask the computer people
That's the way it always works
Or does it?

MDL stress on research

MICROPROCESSOR Developments Ltd is presenting its own very different form of the micro networking concept from its competitors, but its representative at the Systems '81 display seemed keener on an enthusiastic defence of the company's pioneering role in New Zealand-built microcomputers.

Other companies springing up by the dozen in home-micro manufacture were in too much of a rush to get into the business, said Mark Bond.

Inadequate investment in research and development, particularly on the software side, will prove to be the downfall of many of the new organisations.

MDL claims to have been second into the home-built micro field, after fellow Aucklanders Zilab; and it had given a good deal of thought to strategy and development of product before coming out on to the market.

The company still devotes 12 per cent of its income to continuing development effort, and half of that to the software side. As well as continuing development of the product line, the attention to software assured efficient support of customers in the area that mattered; the programs which run on the system.

As a result of its early start, Bond contended, MDL was now "four years ahead" of the new entrants. "We're now big enough to import components in the hundreds and lower our overheads."

The MDL multi-micro system is based on up to 17 processors enclosed in a single box and communicating with one another through a conventional internal "bus".

Each of up to 16 users has the use of a dedicated processor, but since the processor is not in the user's workstation, all that needs to be passed between workstation and processor is a bare video signal and the commands entered by the user.

There was a place for the alternative dispersed multi-microprocessor network, Bond acknowledged, and MDL is working on a system of this type. The processors will be linked in a ring, by two-wire communications channels.